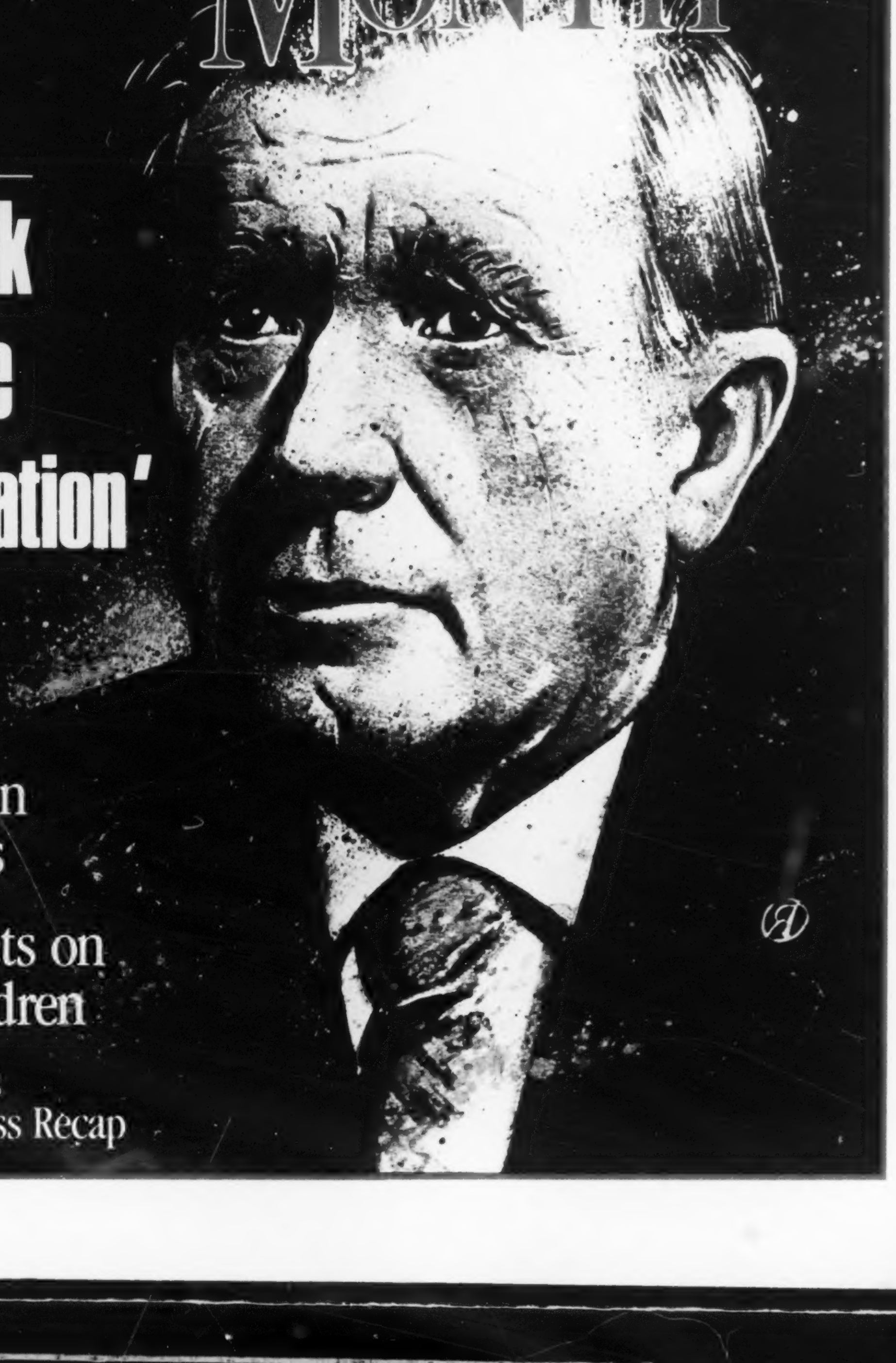
How CEOs View Takeovers

DUN'S BUSINESS MONTH

Donald Regan:

'I Speak For the Administration'



Big Rebound in Executive Jobs

Wall Street Bets on Ma Bell's Children

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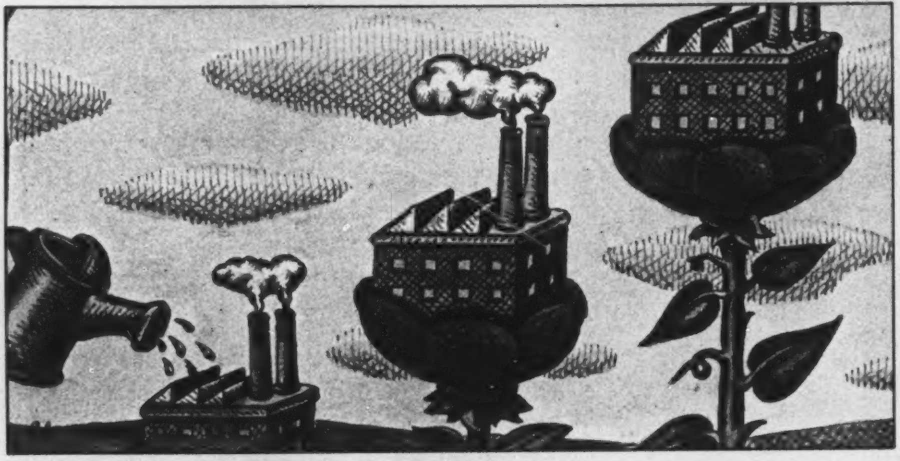

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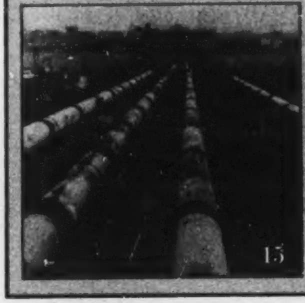
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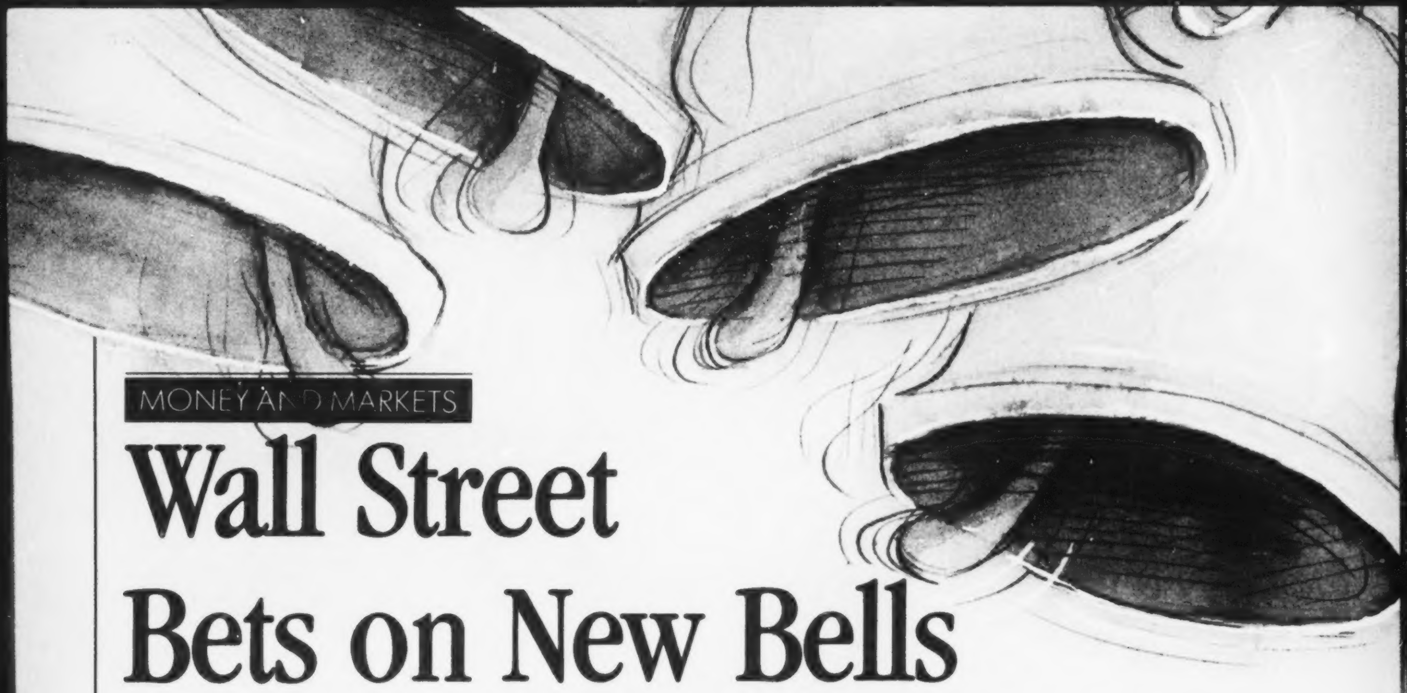


MONEY AND MARKETS

Wall Street Bets on New Bells

Analysts and institutions say that the eight new issues are worth more than the old-AT&T.

Of the 3.15 million investors who own American Telephone & Telegraph Co.'s 935 million shares of common stock, there are some who have more of it to worry about than others. These are the institutional investors. They are responsible for 234.5 million shares of AT&T, and their reputations and livelihoods will depend in large measure on what they do with the soon-to-be-unbundled stock. The big questions they are now weighing: Will the stock of the new companies that result from the divestiture be worth more than AT&T currently sells for? Will they outperform the average stock over the next six months? Will the market initially undervalue or overvalue any of the individual issues?

Luckily for AT&T, the major institutional investors have by and large been behind it. Big names such as senior investment analyst Edward Labenski, who is responsible for some 1 million shares in various portfolios managed by Investors Diversified Services of Minneapolis, have been adding to their holdings this year. According to Vickers Associates, institutional ownership rose to 25.6% of AT&T's outstanding shares as of June 30, a gain of almost 23% in a year.

IDS's Labenski believes that the package of AT&T stocks investors get after the divestiture will sell for more than the $65 AT&T has traded at recently. "We're in the camp that believes that the parts are worth more than the whole," he says.

Capital Guardian Trust's Eugene Stein, who is responsible for 7 million shares, is also a believer. "Once the uncertainty ends, I think it will outperform the market," he says. Investment officer Andrew Williams of Philadelphia's Provident National Bank says: "Right now, I think it's a great buy and will go up over the next six months."

A 15%-to-30% gain?

The Street's biggest telephone analysts almost universally favor the stock as well. Goldman, Sachs & Co. analyst Ernest Liu believes that later in 1984 the package of stocks that is equivalent of the old AT&T will sell for $75 a share—a 15% advance. Edward Greenberg of Sanford C. Bernstein & Co. thinks it could sell for as much as $85 a share, for a 30% rise. John Bain of Lehman Brothers Kuhn Loeb calculates the breakup value at roughly $78. "Add the dividend to that, and you get a much-better-than-market performance in one of the least risky issues in the market," he adds. Alice Bradie of E.F. Hutton counsels individual investors: "Adopt a buy-and-hold strategy. At $65, you get to watch this great show, and you are paid a healthy dividend while you wait."

In guiding individual investors, the analysts typically recommend buying the old-AT&T, taking the package of eight new issues (new-AT&T and the seven regionals) in exchange come January 1, 1984, and then waiting for as much as a year to evaluate the managements of the new companies before making any changes.

The buy-and-hold strategy is based on the conviction that AT&T's stock price has been depressed all year by temporary factors that will change in

the next few weeks. One negative has been selling pressure from individuals and trusts who are dismayed by the heavy administrative burdens of divestiture. To avoid paperwork headaches, says Provident National Bank's Williams, "Many of the institutions are waiting to buy the issues when they trade on a when-issued basis." Also acting as a drag has been the fact that analysts are waiting for management's forecasts on earnings and dividends to be reassured that the current dividend level is secure (the forecasts are to be filed later this month).

AT&T is also lagging the market because the company hasn't raised the dividend in two-and-a-half years and because its earnings are expected to decline this year when industrial earnings are up. But next year, many analysts expect, there should be dramatic improvement. "Earnings will be up, and there's an outside chance of a better dividend rate," says Goldman, Sachs' Liu. Compared to this year's earnings per share forecasts ranging from $8.35 to $8.90, analysts' estimates on an equivalent share basis for next year run as high as $10.30.

At first, the analysts expect new-AT&T to trade like an industrial, on the basis of its price/earnings ratio. The multiple, most say, should be a little below the average for all industrial issues. They expect that the regionals will trade in relation to either their book values or yields, like independent telephone companies or super-electric utilities.

When trading starts, new-AT&T is expected to come out at anywhere from $20-to-$30 a share. The swing of 50% in forecasts of new-AT&T's initial trading price mirrors The Street's wide span of 1984 earnings estimates. On the upper end, Leonard Hyman of Merrill Lynch, Pierce, Fenner & Smith estimates new-AT&T will trade at $29, based on an earnings estimates of $3.05 a share in 1984 and a probable price/earnings ratio of nine or ten. In contrast, Goldman, Sachs' Liu forecasts a probable price of $20 based on estimated earnings of $2.35 a share and a multiple of eight-and-a-half.

Only a year ago, most analysts viewed new-AT&T as a dynamic technology company, preferring it to the regionals, which were perceived as dull and slow-growing. Now, AT&T is the relative underdog. There is deep concern about huge start-up costs for the new competitive subsidiary (some forecast up to $1 billion in red ink in 1984), stagnant profit trends in Western Electric, which will now compete with other manufacturers for orders from the regionals, and much anxiety over profit levels and growth in long distance, according to Liu. "New-AT&T stock is not expected to perform as well as the market," he says. Adds Duff & Phelps' Audrey Stevoff: "New-AT&T is not a stock I would recommend to a retired person." Most analysts believe in new-AT&T's phenomenal potential, but they are uncertain about the time the company will need to get its act together.

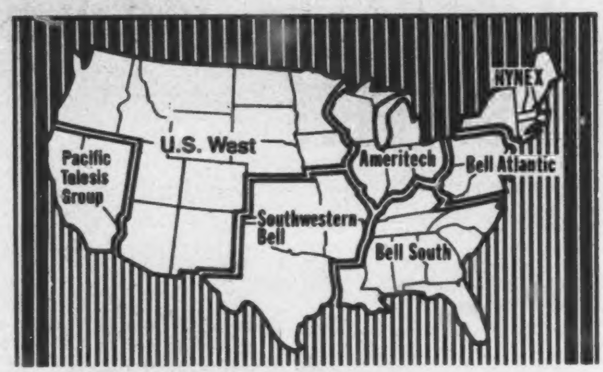
New-AT&T vs. the regionals

In valuing the regionals, the analysts say, the primary considerations are the rates of revenue growth and the willingness of the state utility regulators to set competitive rates of return and allow the regionals to earn them (see table page 50 for one analyst's view of their vital statistics).

A closer look at the investment characteristics of the new regionals:

Ameritech is "probably the purest utility play," says Sanford C. Bernstein's Greenberg. Compared to the other regionals, a greater share of Ameritech's total return will come from income rather than growth, analysts predict.

Joshingly referred to as the "rusty



What Price the Regionals? A Top Analyst's Best Guess

Even before the regional companies have announced their forecasts of earnings and dividends, The Street has been guessing prices for the new stocks. Here is Sanford C. Bernstein & Co.'s Edward Greenberg's projection of probable price range for each company based on his estimates of assets, growth rates, book value per share and yield.

Company Name (1984 Estimated Assets $ Billions)	Estimated Growth Rate 1984-90	Estimated Book Value Per Share As of 1/1/84	Estimated Expected Yield	Estimated Price Range
Ameritech ($15.2)	4.5%-5.5%	$68	9.2%	$73-$78
Bell Atlantic ($15.9)	6-7	75	8.6	80-85
Bell South ($19.8)	6.5-7.5	89	8.3	103-108
NYNEX ($16.7)	5.5-6.5	76	8.9	80-85
Pacific Telesis Group ($15.4)	7.5-8.5	63	8.0	65-70
Southwestern Bell ($15.4)	6.5-7.5	70	8.3	75-80
U.S. West ($14.5)	7-8	66	8.0	75-80

bell," in acknowledgement of the slow-growth profile of its Midwestern base, Ameritech's impressive financial strength has won it significant Wall Street support. Analysts say that its construction budget is under control, it will have a positive cash flow and it has good growth potential from data communications services in its heavy industrial cities. Greenberg notes that Ameritech also has an excellent regulatory climate. Because of its strong ability to pay a high dividend, Greenberg says, "it's more like a bond, everything you want an income stock to have."

Bell Atlantic is blessed with the cheapest cost-of-service in the whole system, says Goldman, Sachs' Liu. He notes that for the first six months of this year, Bell Atlantic generated 117% of its capital-spending needs internally, and he expects this trend to continue in the immediate future. In the first half of the year, he figures Bell Atlantic earned an average return on equity of 13.18%, the second-highest among the regionals.

Other analysts agree with Liu on all these points, but worry about Bell Atlantic's long-term growth potential. "The driving force is demographics, and Bell Atlantic is not like the Sun Belt. It has a very built-up population," Greenberg says.

Bell South has many fans because it is getting business that relocates to the Southeast. Its five-year earnings record and growth rate have surpassed the other regionals, according to Liu. Both he and Greenberg laud management for being strong, particularly in their handling of the very difficult regulators in their area. But some analysts worry about the regulators, despite Bell South's record, and this uncertainty may hurt the company's market price.

The biggest companies in the country are located in the Northeast, and they are expected to be the heaviest users of the new telephone and data communications services. The major worry, according to Montgomery Securities' Robert Morris, is that business rates will be kept artificially high to subsidize consumers, giving businesses an incentive to build their own communications systems and bypass the local network. This would penalize NYNEX's growth, which even now is one of the slowest among the regionals. It is expected that it will be paying out a bigger share of income in dividends and that it will rank among the higher-yielding issues.

Pacific: Surprise winner?

Many analysts are negative about Pacific Telesis Group, even though it has the highest growth rate of any. They are worried about the company's level of debt and the cost of financing its fast growth. Liu estimates that Pacific Telesis will generate internally only 70% of its expenditures for construction next year, which means it will have to borrow. Also, many analysts think California's regulators are flaky.

Sanford C. Bernstein's Greenberg disagrees and argues that Pacific Telesis will be a surprise winner. He thinks management is vigorously competitive and politically astute. He agrees that the balance sheet is weak only when compared to the other regionals, but, he says: "Look at GTE; it has less than 40% in equity."

Southwestern Bell has made a favorable but underwhelming impression on the analysts so far. Its pluses are its solidly-growing five-state area (from Arkansas to Texas) and an experienced management team (since the company was always run as an entity within the Bell system). Moreover, its profits from directory advertising (an estimated $349.2 million pretax in 1982) are the largest among the regionals. However, the analysts are anxious about the uncertain regulatory environment in Texas, a major state.

U.S. West, which covers the biggest area (from Minnesota to Washington and from Montana to Arizona and New Mexico), is everybody's candidate as the most aggressive regional. Ignoring AT&T's proscription, management was travelling the country meeting security analysts months before the others. Its organizational structure was designed to make diversification easy, and its management has made the most public announcement of its intention to move into other businesses. As a result, Goldman, Sachs' Liu thinks it may get a higher P/E than some of the others.

Whichever issues are fated to be the big winners, the moment of truth is at hand. Trading in the new issues will start later this month or early December on a when-issued basis. This event will precede divestiture day, January 1, 1984, when AT&T stock is legally divided into eight issues and each investor gets ten shares of new-AT&T and one share in each of the seven regional companies in exchange for each ten shares of old-AT&T owned as of December 22, 1983.

Selling is a taxable event

Individuals are expected to hold back from trading at first. Even though some may wish to consolidate their holdings into one regional or another, they are likely to be deterred from switching by tax considerations. Selling the new issues is a taxable event, even if it is done through the service AT&T is offering or inside one of the new AT&T unit trusts or mutual funds the brokers are marketing.

Thus, the institutions will be on the firing line. They will be under pressure to trade the new stocks to capture whatever profits exist in some being undervalued and others overvalued during the hectic first days of trading. Figuring those switches is going to be pretty much like shooting at a moving target. It isn't easy, but that's what they get paid to do.

—Arlene Hershman

[illegible]*
from
Oklahoma

*

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Why Companies Don't Export

Lack of information about overseas demand was cited as a key factor in the Dun & Bradstreet survey.

The international market is difficult and confusing for medium-sized firms. Indeed, many companies have never even tried to sell their products overseas because they don't understand foreign demand, according to a recent Dun & Bradstreet survey of 100 manufacturers and wholesalers. Lack of a suitable product for export and weak foreign demand were the other major reasons cited by the non-exporters.

The sample included firms with sales of $5 million-to-$100 million and was evenly divided between exporters and non-exporters. The major motivation for taking the plunge, according to those firms that do export, was foreign demand for their product. Indeed, a full 20% began selling to foreign customers as a result of direct inquiries from abroad. Others were lured by the hope of increased profits.

The survey also revealed that some firms had dropped out of the export game: 25% of the former exporters said it had not been "financially feasible" and 25% cited lack of sustained foreign demand. Many of the dropouts found it too complicated to distribute their products abroad and also had trouble identifying overseas demand.

The clear message of the survey, which was conducted for the Southern Governors' Association, is that companies need more information on what products will sell well abroad and they need to know more about the channels of distribution and financing arrangements in international trade.

As things stand, out of a total of 4.4 million U.S. firms in various industries, less than 1% are engaged in exporting. Even among the current exporters, a full 44% said they needed information on export regulations; 30% needed competitive information.

If the government wants to encourage more exports, it should provide timely reports of product demand in foreign countries, along with financing programs, according to the survey participants. At the state level, firms said they would like to see more "How to Export" programs that would include workshops and a flow of information via pamphlets, mailings or trade journals. —JOSEPH W. DUNCAN

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.

TENDENCY TO EXPORT BY INDUSTRY

Manufacturing and wholesaling have the strongest tendency to export. Agriculture and mining are of secondary importance, while services and other sectors have a very thin representation.

Industry	Number of Exporters	Total Number of Firms	Tendency to Export (%)
Agriculture, Forestry, Fishing	502	123,798	.41
Construction	327	627,199	.05
Finance & Insurance	312	336,708	.09
Manufacturing	11,783	392,728	3.00
Mining	199	37,977	.52
Retail	581	1,271,676	.05
Services	611	1,028,743	.06
Transportation, Communication, Utilities	297	157,677	.19
Wholesale	4,210	445,813	.94
	18,822	4,422,319	.43

Source: Dun's Marketing Services

OBSTACLES TO EXPORTING

Lack of information on foreign markets is a major reason why many firms have never exported their products, according to the Dun's survey. But interestingly, only 5% of these non-exporters seemed worried about the financial feasibility, which was listed as an important obstacle by 25% of former exporters.

	Former Exporters	Non Exporters
Cannot Identify Demand	17%	32%
Not Financially Feasible	25%	5%
No Demand Abroad	25%	18%
No Product or Perishable Product	0%	32%
Too Complicated to Distribute	17%	3%

A Firm Rebound in Executive Jobs

Expanding list includes over 500 at $100,000-plus. But some recruiters wonder how long the good times will last.

The executive job market, severely depressed a year ago, is more buoyant this fall. But even though the economy is much improved, there is uncertainty about how long the good times will last.

These are the main conclusions of **DUN'S BUSINESS MONTH's** ninth annual survey of the executive jobs market. It shows that twenty of the nation's top search firms are currently trying to fill almost 1,500 jobs paying $45,000 or more a year, up from about 1,200 at the same time a year ago *(for a detailed list of job openings, see pages 92 through 115)*. More than 500 of the positions now available will pay $100,000 or more, and no fewer than 84 offer $200,000 or more. The two top paying jobs in the survey, for chief executives in manufacturing and energy companies, go for $350,000.

As is typical in an improving economy, marketing executives were most in demand, with 75% more jobs available than last year. Major increases were recorded also for general managers, up 39%, and financial executives, up 26%. The sharpest drops were in planning and research.

But the individual recruiters interviewed by DBM almost unanimously describe the situation as "spotty." Even high technology, which is generally booming, has its soft spots—witness the bankruptcy of Osborne Computer and the sharp downturns at Texas Instruments and Apple Computer. President Allan Stern of Haskell & Stern Associates predicts a major shakeout in the industry.

While most recruiters say there are as many jobs available now as there were at the peak two years ago, some are not so sure. "I don't think we have yet climbed back to the 1981 level in executive jobs," says Chicago's Frank Beaudine. "Those threatened $200 billion deficits and continued high interest rates are making a lot of businessmen cautious about taking on new people." Robert Howard, managing director of Canny, Bowen, Inc., agrees: "There is less euphoria now than there was in 1981, and a little more apprehension that business may tail off again." And President Lester Korn of Korn/Ferry International says that while the market has bounced back smartly from its lows, "there is an undercurrent of caution in more executive suites, and some belt-tightening is continuing."

Reason for caution

These are among the reasons some recruiters doubt that the strong executive job market will last many more months—although the more optimistic, and politically minded, among them are betting that business will continue at present levels, or higher, through the 1984 Presidential election.

Whatever the future holds, conditions at the moment are much improved. And everybody agrees that the market is particularly strong at the six-figure level—as indeed it was even during the recession months. "Three-fourths of all our current search assignments are for positions paying $100,000 and up," reports President Thomas J. Neff of Spencer Stuart & Associates, one of the largest firms in the business.

But the prospects are not as bright for middle managers—men and women earning, say, between $45,000 and $80,000 a year. Some recruiters do see encouraging signs of a comeback in this income bracket, which was devastated during the recession by dismissals and forced early retirements. But more often than not, recruiters agree with the sentiments of partner Gilbert Dwyer of Ward Howell International, who says: "No company that has recently gone through the trauma of dismissing a lot of middle managers is going to make the mistake of rehiring quickly." Dwyer points out that General Motors, General Electric, Westinghouse, Exxon, Mobil, Xerox and smaller companies have been deliberately "downsizing." And hard times are forcing other companies to do the same. U.S. Steel, for example, in late September announced it would lay off 4,000 more white-collar workers, after letting 8,000 go earlier.

Similarly, recruiter Rick Wytmar

Positions Available
Available
EXEC. VICE-PRESIDENT
VICE-PRES
MANAGER
SUPER MANAGER
MANAGERS

observes that "one of the lessons many companies learned from the recession was that they could get along with from 20% to 30% fewer middle managers." He thinks reluctance to hire such people will persist for a long time. William Willis tells of one major consumer products company that has not had a single search for at least two years, a phenomenon he calls "absolutely amazing."

As far as industries go, demand is greatest today in the fast-expanding area of financial services, which embraces everything from investment banks, commercial banks and insurance companies to emerging conglomerates like American Express, Prudential-Bache and Sears Roebuck. Also seeking to add executive talent are the health-care industry, electronics and high technology. Some recruiters report that the long-stagnant chemicals are beginning to hire again. Others point to consumer products and real estate as sources of many new jobs.

By contrast, the energy business, which boomed for so long in response to OPEC's challenge, is now in a deep slump. For the first time in ages, Houston, the energy capital of America, is experiencing the pains of recession. In the Midwest, the smokestack industries—autos, steel, other metals and rubber—generally have been doing little hiring, although some recruiters see a hint of promise in the recent pick-up in auto and auto supply sales.

Even as the recovery progresses, last year's deep recession is having a lingering effect on the thinking of both companies seeking new blood and the executives being recruited. "Clients are more results-oriented, and therefore more demanding. If they decide to hire, they want the very best candidate. The trouble is, there are just not enough top-caliber candidates to go around," says President Carl Menk of Boyden Associates. Moreover, he observes, many capable executives are still reluctant to make a change, especially if it involves moving to a new location. "If they take a job far from where they now live, they often keep their house for a year or so and commute on weekends—just to make sure things are going to work out."

Long-distance commuters

Another recent change is that some companies that once wrote very limiting job specifications are willing to broaden their searches to get the talent they need. Recruiter William Battalia says that for middle and senior management jobs, some companies are hiring executives from other industries, as Apple Computer and Atari division of Warner Communications recently did. "This is quite a departure from previous practice," Battalia notes.

The trend toward reaching out for the best executives is being intensified by the decision of many managements to deploy their corporate assets differently. American Express, American Can, Sears, GE and several brokerage houses are moving into new businesses, even as some of them get out of old ones. Rick Wytmar observes, for example, that in taking over Norton Simon, Esmark will find the Avis subsidiary a completely unfamiliar operation and will have to go outside its traditional businesses to get someone to run it.

How has the surge in mergers and acquisitions affected the job market? As has become abundantly apparent, one of the first things that happens when one company takes over another is an exodus of many executives who have either become superfluous or are not compatible with the new management. After that, recruiter William Stack observes, the company usually has to begin doing some hiring to provide the CEO with people who can conform to his particular management style.

But while takeovers provide job opportunities, it is really a game of musical chairs. For in the end, notes Howell's Dwyer, takeovers reduce job opportunities because they create one management instead of two and make more internal resources available to fill any vacancies.

—John Perham

The Current Job Openings

GENERAL MANAGEMENT

POSITION	INDUSTRY	LOCATION	SALARY
Chief Executive Officer			
	Energy	East	$350,000
	Manufacturing	Northeast	350,000
	Electronics	East	300,000
	Chemical	East	300,000
	Industrial Services	Northeast	275,000
	Computer Services	Northeast	270,000
Chairman			
	Utilities	Midwest	225,000
	Energy	West	200,000
	Technology	West	150,000
	Food	East	150,000
	Manufacturing	East	140,000
	Business Services	West	135,000
	Chemical	Southwest	125,000
	Textile	West	125,000
	Optics	West	125,000
	Food	West	100,000
	Health Care	Northeast	100,000
	Telecommunications	Southwest	100,000
	Pharmaceutical	West	100,000
	Farm Equipment	Midwest	95,000
	Technology	East	90,000
	Insurance	Southwest	65,000
President and CEO			
	Transportation	West	300,000
	Aerospace	Midwest	250,000
	Food	Midwest	200,000
	Manufacturing	East	200,000
	Food	Midwest	200,000
	Manufacturing	West	150,000
	Health Care	Northeast	135,000
	Computer Services	Northeast	125,000
	Musical Equipment	Midwest	125,000
	Electronics	West	120,000
	Retail	East	100,000
	Computer Services	West	100,000
	Manufacturing	West	90,000
	Plastics	East	75,000
President			
COO	Communications Equip.	Southeast	300,000
	Real Estate	Southwest	300,000
	Industrial Products	East	250,000
	Energy	West	250,000
COO	Biotechnology	East	225,000
	Technology	East	200,000
	Real Estate	West	200,000
	Electrical Products	Midwest	200,000
COO	Business Services	West	200,000
	Engineering	East	180,000
COO	Airline	West	175,000
	Industrial Products	East	175,000
	Communications	Southeast	175,000
	Energy	West	170,000
	Manufacturing	Midwest	$160,000
	Consumer Products	Northeast	160,000
	Insurance	West	150,000
	Computer Services	Midwest	150,000
	Health Care	Southeast	150,000
	Energy	Southwest	150,000
	Industrial Products	Southwest	150,000
	Transportation	East	150,000
	Food	Midwest	150,000
	Advertising	East	150,000
	Communications	East	150,000
	Holding Company	West	145,000
	Manufacturing	Northeast	140,000
	Electronics	West	135,000
	Holding Company	West	135,000
	Health Care	Midwest	125,000
	Health Care	Midwest	125,000
	Paper	Midwest	125,000
	Communications	East	125,000
	Paper	East	125,000
	Energy	Southwest	120,000
	Health Care	Midwest	110,000
	Electrical Products	East	110,000
	Transportation	Midwest	100,000
	Instrumentation	West	100,000
	Coal	East	100,000
	Electronics	West	100,000
	Electronics	East	100,000
	Manufacturing	West	100,000
	Industrial Products	Southwest	100,000
	Health Care	Northwest	100,000
	Health Care	Southwest	100,000
	Insurance	Southwest	100,000
	Publishing	Southwest	100,000
COO	Holding Company	East	100,000
	Manufacturing	Midwest	95,000
	Textile	Canada	95,000
	Manufacturing	Southwest	90,000
	Computer Services	West	90,000
	Horticulture	Midwest	85,000
	Coal	East	85,000
General Manager	Retail	East	80,000
	Consumer Products	Midwest	80,000
	Transportation	Midwest	75,000
Managing Director	Mining	East	75,000
	Consumer Products	East	75,000
	Technology	Southwest	75,000
General Manager	Consumer Products	East	75,000
General Manager	Manufacturing	Midwest	75,000
	Business Services	East	70,000
	Transportation	Southeast	70,000
Chief Operating Officer			
	Manufacturing	East	325,000
	Energy	Southwest	200,000
	Technology	Northeast	150,000
	Service	Northeast	150,000
	Retailing	West	150,000

POSITION	INDUSTRY	LOCATION	SALARY
	Manufacturing	Northeast	$150,000
Executive VP	Entertainment	East	120,000
Executive VP	Communications	Southwest	120,000
	Mining	Northwest	100,000
	Insurance	Northeast	100,000
Executive VP	Computer Services	Northeast	100,000
	Manufacturing	Midwest	100,000
	Publishing	East	80,000
	Coal	East	75,000
	Architecture	East	60,000
Executive VP	Consumer Products	Southeast	60,000
	Transportation	East	60,000
Executive VP			
	Cosmetics	Northeast	200,000
	Technology	East	200,000
	Energy	Southwest	180,000
	Mining	Southwest	175,000
	Retail	East	175,000
	Energy	Southwest	170,000
	Business Services	West	150,000
	Industrial Products	South	130,000
Operations	Hospitality	Southwest	130,000
	Business Services	Northeast	125,000
	Pharmaceutical	East	110,000
	Restaurant	West	108,000
	Real Estate	West	105,000
	Manufacturing	East	100,000
	Manufacturing	Southwest	95,000
	Mining	West	85,000
	Manufacturing	East	65,000
	Real Estate	West	65,000
	Insurance	Southwest	60,000
	Consumer Products	Midwest	50,000
Group VP			
	Chemical	Midwest	200,000
	Consumer Products	Northeast	200,000
	Manufacturing	Northeast	150,000
	Telecommunications	East	140,500
	Conglomerate	West	120,000
	Consumer Products	Northeast	100,000
	Food	East	75,000
	Business Services	Southeast	60,000
Senior VP			
	Real Estate	Midwest	225,000
	Energy	Canada	216,000
	Manufacturing	East	150,000
	Conglomerate	East	150,000
	Real Estate	Midwest	150,000
Regional Manager	Insurance	Southwest	115,000
	Chemical	West	115,000
	Technology	East	110,000
	Real Estate	West	105,000
	Communications	Midwest	100,000
Property	Real Estate	West	50,000
Vice President			
	Automotive	Northwest	325,000
	Aerospace	East	250,000
Real Estate	Energy	Southwest	200,000
	Manufacturing	West	185,000
	Building Materials	East	150,000
	Leisure	East	125,000
	Consumer Products	Northeast	125,000
	Real Estate	Southeast	120,000
	Hospitality	East	$120,000
Real Estate	Banking	West	110,000
Acquisitions	Real Estate	West	105,000
	Real Estate	Midwest	105,000
	Pharmaceutical	Southwest	100,000
	Communications	East	100,000
Acquisitions	Real Estate	East	100,000
	Mining	West	100,000
	Real Estate	Midwest	95,000
	Real Estate	West	95,000
	Industrial Products	Northeast	95,000
Project	Real Estate	East	90,000
	Transportation	East	90,000
Real Estate	Food	East	90,000
	Energy	East	85,000
	Insurance	West	80,000
Technical	Hospitality	East	78,000
	Real Estate	Southeast	75,000
	Real Estate	Northeast	75,000
Branch manager	Insurance	Northeast	70,000
Acquisitions	Real Estate	West	70,000
	Energy	East	65,000
	Real Estate	West	65,000
Branch manager	Insurance	Southwest	65,000
Leasing	Real Estate	West	60,000
Regional	Real Estate	Southwest	60,000
	Real Estate	West	60,000
Operations	Real Estate	Southeast	60,000
Retail	Distribution	Midwest	55,000
General Manager			
Senior VP	Manufacturing	South	250,000
	Mining	Northeast	250,000
Vice President	Cosmetics	Northeast	200,000
	Electronics	Southeast	200,000
	Electronics	Midwest	200,000
	Conglomerate	Southwest	175,000
	Energy	East	150,000
Senior VP	Transportation	West	150,000
	Manufacturing	East	150,000
	Consumer Products	Northeast	140,000
	Aerospace	Northeast	140,000
Vice President	Industrial Products	West	130,000
	Real Estate	Southwest	125,000
	Manufacturing	Midwest	125,000
	Textile	West	125,000
Vice President	Business Services	West	125,000
Group VP	Telecommunications	East	120,000
	Manufacturing	East	120,000
	Grocery	West	120,000
	Utilities	East	120,000
	Computer	West	117,000
	Manufacturing	Midwest	110,000
	Business Services	West	110,000
Executive VP	Transportation	West	100,000
Vice President	Construction	Southwest	100,000
	Transportation	Southeast	100,000
	Industrial Equipment	Midwest	100,000
	Communications	East	100,000
	Art Supplies	Midwest	100,000
Commercial	Real Estate	East	100,000
	Grocery	West	100,000
	Manufacturing	West	90,000
Vice President	Electronics	East	90,000

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POSITION	INDUSTRY	LOCATION	SALARY
Vice President	Industrial Equipment	Southeast	$90,000
	Electronics	West	90,000
	Real Estate	East	85,000
	Industrial Equipment	Southeast	80,000
	Health Care	East	75,000
	Aerospace	West	75,000
	Electronics	West	75,000
	Manufacturing	Canada	75,000
Deputy	Food	East	75,000
	Manufacturing	East	75,000
Vice President	Pharmaceutical	East	70,000
	Manufacturing	East	70,000
	Food	East	70,000
	Real Estate	Southeast	70,000
	Real Estate	West	70,000
	Computer	West	70,000
	Communications	West	65,000
Vice President	Electronics	West	65,000
	Electronics	Southeast	65,000
	Insurance	East	63,000
Vice President	Transportation	Midwest	60,000
	Industrial Equipment	West	60,000
	Manufacturing	Midwest	60,000
	Toy	East	60,000
	Food Services	Southeast	59,000
	Leisure	East	55,000
	Real Estate	East	55,000
Vice President	Transportation	Midwest	50,000
	Utilities	East	50,000
Assistant	Energy	Southwest	48,000
	Transportation	Southeast	45,000
	Leisure	Southeast	45,000
	Retail	Southeast	45,000

Director

POSITION	INDUSTRY	LOCATION	SALARY
Trade Relations	Food	Midwest	125,000
Executive	Utilities	East	120,000
Managing	Food	East	100,000
Regional	Intl. Trade	Midwest	100,000
Deputy Managing	Pharmaceutical	East	100,000
	Leisure	West	100,000
Regional	Communications	Southeast	95,000
Managing	Industrial Equipment	East	89,000
	Chemical	East	85,000
Managing	Consumer Products	East	80,000
	Telecommunications	Southeast	80,000
	Leisure	West	80,000
	Manufacturing	West	78,000
	Electronics	West	78,000
	Retail	East	77,000
Development	Real Estate	West	75,000
Executive	Insurance	West	75,000
Executive	Entertainment	West	75,000
	Energy	Midwest	70,000
Development	Real Estate	Southwest	70,000
Property	Real Estate	Northeast	65,000
Administration	Real Estate	Southeast	65,000
Brokerage	Real Estate	West	63,000
	Consumer Products	West	58,000
	Insurance	West	50,000
Managing	Business Services	West	50,000
Executive	Leisure	East	50,000
Managing	Insurance	Midwest	45,000
Property	Insurance	East	45,000

Manager

POSITION	INDUSTRY	LOCATION	SALARY
	Communications	East	$150,000
Unit	Instrumentation	Southeast	105,000
	Transportation	East	100,000
	Transportation	West	100,000
Deputy Country	Pharmaceutical	East	100,000
	Manufacturing	West	75,000
Development	Real Estate	West	75,000
	Health Care	Midwest	75,000
Project	Insurance	East	75,000
Administration	Health Care	Midwest	70,000
Branch	Insurance	Northeast	70,000
Land	Energy	Southwest	70,000
	Communications	West	65,000
Country	Electronics	West	65,000
Branch	Insurance	Southwest	65,000
	Consumer Products	Midwest	62,000
Branch	Real Estate	East	60,000
Development	Real Estate	West	60,000
Contracting	Communications	East	60,000
	Data Processing	Midwest	60,000
Regional	Publishing	East	55,000
Operations	Publishing	West	55,000
Administration	Industrial Products	West	55,000
Branch	Manufacturing	West	50,000
FRP	Plastics	Midwest	50,000
	Real Estate	West	50,000
	Insurance	Midwest	50,000
	Consumer Products	East	48,000
Operations	Retail	West	45,000
Regional	Publishing	East	45,000
	Business Services	East	45,000

DIVISION

POSITION	INDUSTRY	LOCATION	SALARY
Chairman	Utilities	Midwest	225,000
President			
	Food Services	Northeast	300,000
	Energy	Southwest	200,000
	Paper	Northeast	200,000
International	Holding Company	East	200,000
	Mining	Southeast	150,000
	Telecommunications	Midwest	150,000
	Shipbuilding	Northeast	150,000
	Energy	Northeast	150,000
International	Forest Products	West	150,000
	Business Services	East	150,000
	Food	West	140,000
	Health Care	Northeast	135,000
	Construction	West	135,000
	Consumer Services	Northeast	135,000
	Food	Midwest	130,000
	Entertainment	East	125,000
	Electronics	East	120,000
	Metal Products	Midwest	120,000
	Metal Products	Northeast	120,000
	Manufacturing	Midwest	115,000
	Industrial Products	Midwest	100,000
	Chemical	East	100,000
	Home Furnishing	Southwest	100,000
	Beverage	Northeast	100,000
	Printing	East	80,000
	Insurance	Southeast	75,000
	Business Services	East	80,000

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POSITION	INDUSTRY	LOCATION	SALARY
Vice President			
International	Manufacturing	Midwest	$125,000
	Communications	East	102,000
International	Building Products	South	100,000
	Electronics	West	100,000
Far East	Electronics	West	100,000
	Optical Products	Canada	84,000
Far East	Consumer Products	Midwest	78,000
International	Business Services	Midwest	60,000
General Manager			
Vice President	Insurance	Northeast	150,000
Vice President	Business Services	West	135,000
International	Consumer Products	East	120,000
	Telecommunications	East	120,000
	Electronics	Northeast	105,000
	Communications	East	102,000
	Manufacturing	West	90,000
	Manufacturing	East	90,000
	Industrial Products	Midwest	78,000
South America	Electronics	East	75,000
	Health Care	East	75,000
	Chemical	Southwest	65,000
	Consumer Products	Midwest	60,000
Manager			
	Communications	East	84,000
International	Automotive	Midwest	50,000
International	Transportation	East	50,000
Director	Publishing	East	75,000

FINANCE

POSITION	INDUSTRY	LOCATION	SALARY
Chief Executive Officer			
	Banking	Canada	300,000
Division	Investment Banking	Northeast	270,000
	Financial Services	East	250,000
Chairman	Financial Services	Midwest	250,000
President	Banking	Southeast	220,000
President	Financial Services	West	200,000
	Banking	West	200,000
President	Banking	West	150,000
President	Investment Banking	East	150,000
President	Banking	West	125,000
Chairman	Banking	Southwest	100,000
President	Banking	West	100,000
President			
	Financial Services	East	250,000
	Banking	East	150,000
	Banking	East	115,000
	Financial Services	West	100,000
	Investment Banking	Northeast	100,000
Partner			
	Investment Banking	East	300,000
Tax	Financial Services	Midwest	150,000
	Financial Services	Midwest	75,000
Chief Financial Officer			
Executive VP	Insurance	East	$250,000
Senior VP	Electronics	West	200,000
Vice President	Consumer Products	East	200,000
Vice President	Mining	Southwest	200,000

POSITION	INDUSTRY	LOCATION	SALARY
Senior EVP	Cosmetics	Northeast	$200,000
Vice President	Manufacturing	East	200,000
	Chemical	Midwest	175,000
	Cosmetics	Northeast	175,000
	Food	West	175,000
Vice President	Transportation	Northeast	175,000
	Business Services	Southwest	170,000
	Aerospace	Midwest	165,000
	Financial Services	Midwest	150,000
Vice President	Energy	Southeast	125,000
	Food	East	125,000
	Technology	East	120,000
Division	Banking	West	120,000
Vice President	Textile	Northeast	120,000
Vice President	Leasing	Midwest	100,000
	Technology	West	100,000
	Utilities	Southwest	100,000
	Banking	West	100,000
	Business Services	Northeast	95,000
	Health Care	West	95,000
	Paper	East	90,000
	Retail	West	90,000
Senior VP	Transportation	West	80,000
Vice President	Consumer Products	West	80,000
	Financial Services	West	80,000
VicePresident	Consumer Services	West	80,000
	Health Care	West	75,000
	Art Supplies	Midwest	75,000
	Computer Services	Southwest	70,000
	Computer	Midwest	55,000
Asst. VP	Banking	East	45,000
Chief Operating Officer			
	Financial Services	Northeast	225,000
	Investment Banking	Northeast	200,000
	Financial Services	Northeast	200,000
	Investment Banking	Northeast	200,000
	Banking	East	150,000
	Banking	East	100,000
	Financial Services	West	75,000
Executive VP			
Investments	Banking	West	250,000
International	Banking	West	180,000
Trust	Banking	Midwest	150,000
Corporate	Banking	Midwest	125,000
COO	Financial Services	Northeast	125,000
COO	Banking	East	125,000
	Financial Services	West	100,000
	Banking	East	90,000
	Financial Services	East	80,000
COO	Banking	Southwest	75,000
	Banking	East	75,000
	Banking	Midwest	50,000
Senior VP			
	Investment	Northeast	345,000
	Financial Services	East	300,0[illegible]
	Energy	Southwest	250,[illegible]
Tax shelters	Investment Banking	Northeast	200,00[illegible]
Investment	Energy	Southwest	150,000
Gov. securities	Banking	East	150,000
Investment	Banking	Northeast	150,000
	Financial Services	Northeast	140,000

POSITION	INDUSTRY	LOCATION	SALARY
	Banking	Northeast	$140,000
	Banking	West	125,000
	Investment Banking	East	125,000
	Financial Services	West	125,000
	Banking	Midwest	125,000
Manager	Banking	Southwest	120,000
Investments	Petroleum	Southwest	120,000
	Insurance	Southwest	115,000
Commodities	Banking	East	110,000
Operations	Credit	East	100,000
Trust	Banking	East	100,000
	Banking	West	100,000
Marketing	Banking	West	100,000
	Investment Banking	East	100,000
	Airline	West	100,000
	Financial Services	East	100,000
	Energy	Southwest	100,000
	Banking	Northeast	90,000
	Real Estate	West	90,000
	Food	Midwest	90,000
	Banking	Southwest	85,000
Lending counsel	Financial Services	West	80,000
	Banking	Northeast	75,000
	Banking	West	75,000
	Banking	Midwest	75,000
	Banking	Southwest	75,000
	Apparel	East	75,000
	Banking	East	70,000
Asset liability	Banking	East	70,000
	Financial Services	Southwest	60,000
	Banking	Southeast	60,000
	Banking	Midwest	55,000
	Banking	Southwest	52,000
Vice President			
Pension Sales	Investment Banking	Northeast	250,000
	Financial Services	East	200,000
	Credit	East	173,000
	Investment Banking	Northeast	150,000
	Chemical	East	150,000
Tax shelters	Investment	Northeast	150,000
Group	Investment	Northeast	130,000
	Investment	Northeast	125,000
	Investment Banking	East	125,000
	Manufacturing	East	125,000
Services	Banking	East	125,000
	Investment Banking	East	125,000
	Manufacturing	West	125,000
Tax	Manufacturing	Midwest	120,000
	Banking	Midwest	120,000
	Printing	Northeast	120,000
	Electronics	East	110,000
Tax	Conglomerate	Midwest	110,000
	Manufacturing	Midwest	110,000
	Communications	Northeast	110,000
	Chemical	Midwest	110,000
Auditor	Communications	Northeast	105,000
	Investment Banking	North	100,000
	Investment Banking	East	100,000
Energy finance	Investment Banking	Northeast	100,000
Pensions	Banking	Midwest	100,000
International	Banking	East	100,000

POSITION	INDUSTRY	LOCATION	SALARY
Energy	Banking	Southwest	$100,000
Research	Financial Services	Northeast	100,000
	Banking	East	100,000
	Financial Services	West	100,000
	Financial Services	East	100,000
	Home Furnishings	East	100,000
	Investment	East	100,000
	Food	East	100,000
Tax	Communications	Northeast	100,000
	Retail	West	100,000
	Real Estate	West	100,000
	Construction	Southwest	100,000
	Transportation	Southwest	100,000
	Utilities	East	100,000
	Industrial Products	Midwest	100,000
	Conglomerate	Midwest	100,000
	Industrial Products	Canada	100,000
	Leasing	West	96,000
	Financial Services	West	90,000
	Financial Services	Midwest	90,000
	Insurance	East	90,000
Institutional	Banking	Midwest	90,000
Commercial	Banking	West	90,000
	Consumer Products	East	90,000
	Computer Services	Midwest	90,000
	Retail	Northeast	90,000
	Construction	Midwest	90,000
	Publishing	Northeast	85,000
	Insurance	East	85,000
	Real Estate	Midwest	85,000
	Investment Banking	Southeast	80,000
Analyst	Banking	East	80,000
	Investment Banking	Southeast	80,000
Services	Banking	West	80,000
	Banking	West	80,000
	Banking	East	80,000
	Insurance	Northeast	80,000
	Insurance	West	80,000
	Electronics	Southwest	80,000
	Real Estate	West	80,000
	Banking	Northeast	75,000
Trusts	Banking	West	75,000
Sales	Financial Services	East	75,000
	Banking	East	75,000
	Banking	West	75,000
	Real Estate	Northeast	75,000
	Real Estate	Southwest	75,000
	Chemical	West	75,000
Asst. Far East	Banking	East	75,000
Fund Sales	Banking	Northeast	75,000
Investment	Real Estate	East	75,000
	Real Estate	West	75,000
Energy	Banking	Southwest	75,000
Trusts	Banking	West	75,000
	Banking	Southwest	70,000
	Banking	Northeast	70,000
	Bankng	West	70,000
	Investment Banking	Northeast	70,000
	Investment Banking	Midwest	70,000
	Investment Banking	West	70,000
Analyst	Investment Banking	East	70,000
	Insurance	Northeast	70,000

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POSITION	INDUSTRY	LOCATION	SALARY
	Health Care	East	$ 70,000
	Construction	Southeast	70,000
	Distribution	East	70,000
Lending	Financial Services	Southwest	65,000
Commodities	Banking	East	65,000
	Financial Services	Southwest	65,000
	Real Estate	Northeast	65,000
	Energy	Southeast	60,000
	Electronics	East	60,000
	Industrial Equipment	Midwest	60,000
Control	Chemical	Southwest	60,000
	Banking	East	60,000
Production Mgr.	Banking	Southwest	60,000
Commercial loans	Banking	West	60,000
Actuary	Insurance	Southwest	60,000
	Financial Services	West	55,000
	Banking	Southwest	55,000
	Banking	East	54,000
	Banking	Midwest	52,000
	Banking	Southeast	50,000
	Banking	Midwest	50,000
	Banking	East	50,000
First	Banking	East	50,000
Planning	Chemical	Southeast	45,000

Assistant VP

POSITION	INDUSTRY	LOCATION	SALARY
	Banking	East	75,000
	Real Estate	Southwest	60,000
	Banking	East	60,000
Trade Finance	Banking	East	55,000
	Banking	East	50,000
Account Mgr.	Financial Services	West	45,000
Loans	Banking	East	45,000
	Banking	Southeast	45,000

Controller

POSITION	INDUSTRY	LOCATION	SALARY
	Chemical	East	235,000
Vice President	Rubber	East	128,000
	Biotechnology	East	100,000
	Real Estate	East	100,000
	Cosmetics	Southwest	100,000
Division	Apparel	East	100,000
Assistant	Energy	East	100,000
	Retail	Southwest	90,000
	Food	West	90,000
	Trading	East	90,000
	Industrial Equipment	Midwest	85,000
	Steel	East	85,000
	Apparel	East	80,000
	Industrial Equipment	East	78,000
	Glass	East	75,000
	Computer	West	75,000
	Consumer Products	East	75,000
	Financial Services	Southwest	75,000
	Investment Banking	East	70,000
	Mining	East	70,000
	Mining	Southwest	70,000
	Technology	Northeast	70,000
	Energy	Southwest	70,000
	Paper	Northeast	65,000
	Energy	Southwest	65,000
Assistant	Real Estate	East	65,000
	Food	Southeast	63,000
	Holding Company	West	60,000
	Manufacturing	Northwest	$ 60,000
	Manufacturing	Northeast	60,000
	Real Estate	West	60,000
Vice President	Banking	Midwest	60,000
	Banking	West	60,000
Division	Technology	West	60,000
Vice President	Photography	Southwest	55,000
Division	Market Research	Midwest	55,000
	Banking	West	55,000
Division	Manufacturing	West	55,000
	Consumer Products	East	54,000
	Mining	West	50,000
	Energy	Southwest	50,000
Division	Technology	West	45,000

Treasurer

POSITION	INDUSTRY	LOCATION	SALARY
Senior VP	Banking	West	150,000
	Real Estate	Northeast	120,000
	Glass	Northwest	100,000
Senior VP	Banking	Northeast	85,000
	Retail	East	75,000
	Manufacturing	Midwest	70,000
	Banking	Southeast	65,000
	Health Care	Southwest	50,000
	Retail	Midwest	50,000
	Communications	East	48,000
	Financial Services	Southeast	47,000
	Data Management	Southeast	47,000
	Technology	East	47,000

Director

POSITION	INDUSTRY	LOCATION	SALARY
	Financial Services	East	300,000
Research	Investment Banking	Northeast	300,000
	Financial Services	Southwest	125,000
Planning	Computer	West	110,500
Tax	Financial Services	East	120,000
	Aerospace	Southeast	110,000
	Food	Midwest	100,000
	Finance	East	100,000
	Telecommunications	Northeast	95,000
Executive	Investment Banking	Midwest	90,000
	Health Care	West	90,000
Executive	Banking	East	85,000
Tax	Financial Services	Midwest	80,000
Tax	Manufacturing	Northeast	80,000
Commodities	Investment Banking	West	80,000
	Technology	Midwest	80,000
Intl. Finance	Computer	Northeast	75,000
Tax	Advertising	Midwest	75,000
Planning	Computer	Northeast	75,000
	Consulting	East	75,000
	Electronics	West	65,000
	Manufacturing	West	65,000
	Manufacturing	Southwest	60,000
Audit	Energy	Midwest	60,000
	Construction	West	60,000
Tax	Consulting	South	60,000
Planning	Electronics	Midwest	60,000
	Manufacturing	Southwest	55,000
Tax	Transportation	Northeast	55,000
Analysis	Electronics	Northeast	50,000
	Insurance	West	50,000
	Equipment	East	50,000

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POSITION	INDUSTRY	LOCATION	SALARY
	Food	Intl.	$ 48,000
	Insurance	East	47,000
Planning	Food	East	47,000
	Insurance	Midwest	45,000
Appraisal	Insurance	Southeast	45,000
Accounting	Energy	Midwest	45,000
	Health Care	East	45,000
	Apparel	Intl.	45,000
Property	Insurance	East	45,000
Manager			
Pension	Investment	Northeast	200,000
	Investment Banking	East	150,000
	Investment	East	150,000
Commodities	Investment Banking	Northeast	110,000
	Real Estate	West	100,000
Com. Lending	Banking	West	100,000
Portfolio	Banking	Northeast	100,000
Portfolio	Financial Services	East	100,000
Portfolio	Insurance	East	100,000
	Investment	West	80,000
Portfolio	Banking	Midwest	85,000
	Communications	Southwest	85,000
Audit	Financial Services	Northeast	80,000
	Investment	East	80,000
	Aerospace	Northeast	75,000
Tax	Utilities	Southeast	75,000
Tax	Electronics	Midwest	75,000
	Real Estate	Midwest	75,000
	Insurance	East	75,000
Com. Lending	Banking	Southeast	70,000
Money	Banking	East	70,000
	Investment Banking	East	70,000
Tax	Manufacturing	Northeast	70,000
Tax	Manufacturing	Northeast	70,000
Accounting	Manufacturing	West	60,000
General	Financial Services	Southwest	60,000
	Transportation	Midwest	60,000
	Banking	East	60,000
	Food	West	60,000
	Banking	East	60,000
	Real Estate	East	60,000
Planning	Telecommunications	East	55,000
	Retail	Midwest	55,000
Money Market	Insurance	Midwest	50,000
	Insurance	East	50,000
Credit	Rubber	Southwest	47,000
Analysis	Banking	East	45,000
Tax	Banking	Midwest	45,000
Corp. Securities	Banking	Midwest	45,000
	Banking	East	45,000
	Banking	West	45,000
Branch Manager			
	Banking	West	65,000
Audit	Financial Services	East	60,000
	Banking	Midwest	60,000
	Financial Services	Southeast	80,000
Assistant	Banking	Midwest	55,000
Credit	Banking	Southwest	45,000

POSITION	INDUSTRY	LOCATION	SALARY
Chief Officers			
Bond Trading	Investment Banking	East	$250,000
Lending	Banking	West	80,000
Investment	Insurance	Northeast	75,000
Lending	Banking	West	70,000
Underwriter	Insurance	West	70,000
Trust	Banking	Midwest	60,000
Lending	Banking	West	60,000
Lending	Real Estate	Southwest	60,000
Investment	Investment Banking	East	50,000
Auditor	Chemical	West	45,000

MANUFACTURING

POSITION	INDUSTRY	LOCATION	SALARY
Operations VP			
Executive VP	Building Materials	East	300,000
Senior VP	Processing	East	225,000
Senior VP	Transportation	West	150,000
Executive VP	Energy	Southeast	150,000
	Computer	West	115,000
	Telecommunications	Midwest	105,000
Assistant	Electronics	Midwest	100,000
	Automotive	Midwest	100,000
	Automotive	East	100,000
	Transportation	Midwest	100,000
	Food	Midwest	100,000
	Mining	Southwest	95,000
	Electrical Products	West	90,000
	Metal Products	West	90,000
	Chemical	South	90,000
Executive VP	Paint	Midwest	87,000
	Industrial Equipment	West	85,000
	Utilities	Midwest	85,000
	Computer	West	80,000
	Apparel	East	80,000
	Transportation	East	75,000
	Pharmaceutical	Midwest	75,000
	Apparel	Northeast	75,000
	Energy	Southwest	75,000
	Industrial Equipment	Midwest	72,000
	Manufacturing	Northeast	70,000
	Business Services	East	60,000
	Transportation	Southwest	55,000
	Manufacturing	East	45,000
Vice President			
	Electronics	Northeast	125,000
Quality Assurance	Communications	Midwest	110,000
Technical	Industrial Products	Midwest	100,000
EVP Technical	Instrumentation	Midwest	100,000
	Communications	Midwest	100,000
	Office Equipment	Midwest	100,000
Production	Manufacturing	Northeast	100,000
Projects	Conglomerate	Midwest	100,000
	Food	West	85,000
	Conglomerate	East	85,000
	Industrial Products	Midwest	75,000
	Consumer Products	Southwest	75,000
	Rubber	Midwest	70,000
	Electronics	Midwest	65,000
	Data Management	West	65,000
Director			
	Data Processing	Southwest	100,000
	Military Equipment	Southwest	100,000
	Pharmaceutical	Midwest	90,000

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POSITION	INDUSTRY	LOCATION	SALARY
	Aerospace	Southeast	$ 90,000
	Electrical Products	East	90,000
Operations	Technology	West	85,000
Operations	Apparel	East	80,000
Quality Control	Apparel	East	80,000
	Transportation	West	60,000
Operations	Manufacturing	East	60,000
Distribution	Industrial Products	Midwest	60,000
	Industrial Equipment	East	55,000
Quality Assurance	Manufacturing	Midwest	50,000
Distribution	Transportation	Midwest	50,000
Distribution	Retail	Southwest	50,000
	Chemical	East	45,000
Manager			
Operations	Food	Southwest	100,000
	Consumer Products	Southeast	80,000
	Electronics	Northeast	78,000
Operations	Electronics	Southwest	75,000
Operations	Transportation	Midwest	65,000
Production	Metal Products	West	60,000
Construction	Real Estate	West	60,000
	Electronics	Northeast	60,000
Operations	Transportation	Midwest	55,000
Distribution	Chemical	East	55,000
Operations	Aerospace	East	54,000
Quality Control	Pharmaceutical	Midwest	50,000
Construction	Real Estate	West	50,000
Production	Manufacturing	West	50,000
Operations	Pharmaceutical	Midwest	45,000
	Automotive	Midwest	45,000
Distribution	Electronics	West	45,000
Production	Consumer Products	Southeast	45,000
Technology	Industrial Equipment	Midwest	45,000
Production	Chemical	Midwest	45,000
Plant Manager			
	Technology	East	125,000
	Military Equipment	Midwest	110,000
	Pharmaceutical	East	75,000
	Technology	East	65,000
	Automotive	Southeast	60,000
	Pharmaceutical	Southeast	60,000
	Electronics	West	60,000
	Food	Midwest	60,000
	Pharmaceutical	Southeast	57,000
	Automotive	Southeast	55,000
	Rubber	East	50,000
	Metal Products	Midwest	50,000
	Chemical	East	47,000
	Automotive	Midwest	45,000

MARKETING

POSITION	INDUSTRY	LOCATION	SALARY
Executive VP			
	Consumer Products	Southwest	125,000
	Real Estate	Southeast	100,000
	Publishing	East	100,000
Senior VP			
Consumer	Consumer Products	Northeast	200,000
	Hospitality	West	200,000
	Hospitality	West	170,000
	Electronics	East	150,000
	Publishing	Northeast	150,000
	Advertising	East	135,000
	Hospitality	Southwest	$130,000
	Banking	West	125,000
	Banking	Midwest	120,000
	Banking	West	100,000
	Communications	East	90,000
	Hospitality	East	90,000
& Sales	Printing	East	90,000
	Chemical	East	80,000
	Banking	West	75,000
	Banking	East	70,000
	Credit	East	60,000
	Insurance	West	60,000
Vice President			
	Communications	Northeast	270,000
Development	Telecommunications	East	201,000
International	Food	East	200,000
Development	Telecommunications	Northeast	180,000
	Consumer Products	Midwest	150,000
& Sales	Office Equipment	East	140,000
	Consumer Products	East	130,000
	Investment	Northeast	125,000
	Technology	South	125,000
	Manufacturing	East	120,000
	Toy	West	120,000
	Food	Midwest	120,000
	Entertainment	Midwest	120,000
& Sales	Electrical Products	East	120,000
& Sales	Medical Services	East	115,000
	Electronics	Midwest	110,000
	Semiconductor	West	110,000
	Hospitality	East	110,000
	Banking	Southwest	110,000
	Computer	West	100,000
	Health Care	Southwest	100,000
	Pharmaceutical	Midwest	100,000
	Consumer Services	Southwest	100,000
	Food	Midwest	100,000
	Communications	West	100,000
	Construction	Midwest	100,000
	Banking	West	100,000
	Fine Arts	Midwest	100,000
Merchandising	Distribution	East	100,000
International	Health Care	West	100,000
Product Strategy	Electronics	East	100,000
	Cosmetics	Northeast	100,000
	Industrial Equipment	Southwest	100,000
	Energy	Southwest	100,000
	Transportation	Southwest	100,000
Merchandising	Apparel	Midwest	100,000
	Telecommunications	Midwest	100,000
	Food Services	West	100,000
	Insurance	Midwest	100,000
	Paper	Northeast	100,000
	Electronics	West	100,000
& Sales	Food Services	East	100,000
& Sales	Transportation	Midwest	100,000
Group	Consumer Products	Midwest	100,000
	Electronics	Southwest	100,000
	Energy	South	100,000
	Real Estate	Midwest	100,000
	Publishing	Northeast	100,000
	Computer Services	Northeast	100,000

POSITION	INDUSTRY	LOCATION	SALARY
	Banking	East	$100,000
	Technology	East	100,000
	Aerospace	East	95,000
	Chemical	East	95,000
	Electronics	East	95,000
	Food Services	Canada	95,000
International	Manufacturing	Northeast	90,000
	Consumer Products	Midwest	90,000
	Consulting	East	90,000
	Telecommunications	Southeast	90,000
	Manufacturing	Midwest	90,000
	Computer	Northeast	90,000
	Communications	West	90,000
	Financial Services	Northeast	90,000
	Health Care	Northeast	90,000
	Pharmaceutical	Northeast	90,000
& Sales	Metals	East	90,000
	Financial Services	Midwest	90,000
	Health Care	Midwest	90,000
	Transportation	South	85,000
	Retail	Midwest	85,000
	Farm Equipment	Northeast	85,000
	Cosmetics	Northeast	85,000
	Food Services	Northeast	84,000
	Food	East	81,000
	Business Services	East	80,000
	Insurance	East	80,000
	Electronics	East	80,000
	Apparel	East	80,000
	Transportation	West	80,000
	Cosmetics	Northeast	80,000
	Entertainment	West	80,000
	Consumer Products	West	80,000
	Consumer Products	East	80,000
& Sales	Industrial Products	Northwest	80,000
	Financial Services	East	78,000
	Food	East	77,000
	School Supplies	East	75,000
	Advertising	East	75,000
	Computer	West	75,000
	Transportation	East	75,000
	Instrumentation	West	75,000
	Metal Products	East	75,000
	Data Management	East	75,000
	Electronics	East	75,000
	Insurance	Midwest	75,000
	Transportation	West	75,000
	Electronics	West	75,000
	Investment	Northeast	75,000
	Food	Southwest	75,000
	Data Management	West	75,000
	Rubber	Southwest	72,000
	Energy	Southwest	70,000
	Retail	East	70,000
Commercial	Metals	East	70,000
Group	Banking	Northeast	70,000
	Banking	Midwest	70,000
	Food	East	70,000
	Chemical	Southwest	65,000
	Banking	West	65,000
	Electronics	West	60,000
	Food Services	Northeast	60,000
	Real Estate	West	$ 60,000
Group	Banking	Northeast	60,000
	Transportation	Midwest	60,000
	Real Estate	Southeast	60,000
	Business Services	Midwest	60,000
	Hospitality	East	60,000
	Manufacturing	Southwest	60,000
	Communications	East	60,000
	Insurance	Southeast	56,000
	Banking	West	55,000
	Electronics	Midwest	55,000
	Banking	Midwest	55,000
& Sales	Manufacturing	Southwest	50,000
	Automotive	West	50,000
	Pharmaceutical	Southeast	45,000
Assistant VP	Banking	Southeast	60,000
Executive			
Account	Financial Services	West	100,000
Senior	Communications Equip.	Midwest	90,000
	Communications	East	90,000
Senior	Manufacturing	Midwest	90,000
Development	Financial Services	East	80,000
Account	Real Estate	East	65,000
	Banking	West	50,000
Development	Financial Services	East	45,000
Account	Data Processing	Northeast	45,000
Director			
	Electronics	East	150,000
	Beverage	West	130,000
	Instrumentation	West	120,000
Development	Computer	Northeast	110,000
	Telecommunications	Northeast	105,000
	Beverage	West	100,000
	Food	Midwest	100,000
	Biotechnology	East	100,000
	Health Care	West	95,000
	Construction	Midwest	90,000
	Telecommunications	Midwest	90,000
	Manufacturing	Southwest	85,000
	Educational Services	Midwest	85,000
	Publishing	West	80,000
	Computer	West	80,000
	Cosmetics	Northeast	80,000
	Financial Services	Northeast	80,000
Insurance	Insurance	Northeast	75,000
	Real Estate	Southeast	75,000
	Chemical	Northeast	75,000
& Sales	Paper	Southwest	75,000
Zone	Investment Banking	East	75,000
Export	Investment Banking	East	75,000
	Paper	East	75,000
	Data Management	Southeast	75,000
	Industrial Products	Midwest	75,000
	Insurance	Northeast	75,000
	Chemical	Midwest	70,000
	Communications Equip.	Midwest	70,000
	Business Services	Southeast	70,000
	Electronics	West	70,000
	Health Care	West	70,000
	Automotive	East	70,000
	Data Management	West	65,000

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POSITION	INDUSTRY	LOCATION	SALARY
	Pharmaceutical	Midwest	$ 85,000
	Consumer Products	East	65,000
	Food	East	65,000
	Transportation	East	65,000
	Finance	East	65,000
	Consumer Products	East	60,000
	Electronics	West	60,000
	Publishing	Southwest	60,000
	Banking	East	60,000
	Paper	West	60,000
	Chemical	Midwest	60,000
	Pharmaceutical	Northeast	60,000
	Cosmetics	Northeast	60,000
	Conglomerate	Northeast	60,000
	Pharmaceutical	Northeast	55,000
	Automotive	West	55,000
	Financial Services	Southwest	50,000
	Electronics	Midwest	50,000
	Chemical	Midwest	45,000
	Communications	West	45,000
	Food Services	West	45,000
	Insurance	East	45,000
Manager			
	Consumer Products	East	180,000
	Communications	East	125,000
	Manufacturing	Midwest	115,000
	Communications	East	110,000
	Consumer Products	West	105,000
	Manufacturing	Midwest	100,000
	Chemical	Southeast	85,000
	Consumer Products	Southeast	80,000
	Consumer Products	Midwest	80,000
	Pharmaceutical	Midwest	75,000
	Metal Products	East	75,000
	Consulting	Southwest	75,000
	Instrumentation	West	75,000
	Chemical	Southwest	75,000
	Consumer Products	Midwest	75,000
	Energy	Midwest	75,000
	Communications	Midwest	75,000
	Consumer Products	East	70,000
	Financial Services	Northeast	70,000
	Industrial Products	West	70,000
	Materials Management	East	70,000
	Telecommunications	East	70,000
	Industrial Products	West	70,000
	Manufacturing	Midwest	70,000
	Health Care	West	70,000
	Electronics	West	70,000
	Aerospace	Midwest	70,000
	Beverage	West	70,000
	Pharmaceutical	East	68,000
	Telecommunications	East	67,500
	Medical Equipment	Southwest	65,000
	Telecommunications	West	65,000
	Chemical	Midwest	63,000
	Real Estate	East	60,000
Development	Printing	Southeast	60,000
	Data Processing	Midwest	60,000
	Financial Services	West	60,000
	Financial Services	Midwest	60,000
	Beverage	East	60,000
	Medical Equipment	West	60,000

POSITION	INDUSTRY	LOCATION	SALARY
Retail	Food	West	$ 60,000
	Industrial Products	Midwest	60,000
	Financial Services	Northeast	60,000
	Coal	Midwest	55,000
	Electronics	Midwest	55,000
	Manufacturing	Southeast	55,000
	Food	Midwest	55,000
	Consumer Products	West	55,000
	Credit	East	55,000
	Telecommunications	Southeast	55,000
New Products	Industrial Equipment	Southeast	55,000
	Chemical	Midwest	52,000
	Transportation	East	50,000
	Beverage	West	50,000
	Electronics	West	50,000
	Food	Southeast	50,000
	Consumer Products	Midwest	50,000
	Chemical	Southeast	50,000
	Transportation	Midwest	50,000
	Chemical	West	50,000
	Industrial Products	East	50,000
	Publishing	East	50,000
	Food Services	Northeast	50,000
	Distribution	East	48,000
	Instrumentation	East	48,000
	Financial Services	East	45,000
	Banking	Midwest	45,000
	Communications	Southeast	45,000
Key Account	Chemical	Midwest	45,000
	Automotive	Midwest	45,000
	Chemical	Southeast	45,000
Licensing	Pharmaceutical	Midwest	45,000
	Electronics	East	45,000
Promotion	Banking	Southwest	45,000
	Chemical	Midwest	45,000
	Transportation	West	45,000
	Services	East	45,000

SALES

Vice President			
World Manager	Electronics	East	190,000
	Insurance	East	160,000
Senior VP	Printing	South	110,000
	Electronics	East	105,000
	Technology	East	100,000
	Cosmetics	Northeast	100,000
	Advertising	Midwest	100,000
	Consumer Products	West	100,000
Dealer	Computer	West	95,000
Senior VP	Insurance	East	95,000
	Electronics	Southwest	90,000
Regional	Industrial Products	Midwest	90,000
	Apparel	East	80,000
	Consumer Products	Midwest	80,000
	Food	Northeast	80,000
	Pharmaceutical	Northeast	80,000
	Insurance	East	80,000
	Consumer Products	Midwest	80,000
	Manufacturing	Northeast	80,000
	Metal Products	East	75,000
	Health Care	Northeast	75,000
	Glass	Midwest	75,000
	Agriculture	West	70,000

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POSITION	INDUSTRY	LOCATION	SALARY
	Coal	Midwest	$ 70,000
	Transportation	West	70,000
	Paper	Midwest	70,000
Retail	Broadcasting	Northeast	70,000
Regional	Telecommunications	East	65,000
	Coal	East	62,500
	Manufacturing	Southeast	50,000
	Food	East	45,000
	Banking	East	45,000
Director			
Software	Data Processing	Northeast	100,000
	Real Estate	Southwest	100,000
	Distribution	East	75,000
	Apparel	Midwest	75,000
	Consumer Products	Northeast	75,000
	Data Management	Southeast	75,000
	Automotive	East	70,000
	Chemical	Midwest	70,000
	Electronics	West	70,000
	Food	East	65,000
Promotion	Cosmetics	Northeast	65,000
	Automotive	Midwest	64,000
	Hospitality	East	60,000
	Publishing	Northeast	60,000
Manager			
Technical	Energy	Southwest	85,000
	Metal Products	East	75,000
	Distribution	East	75,000
Department	Electronics	East	70,000
Division	Electronics	Northeast	70,000
	Industrial Equipment	East	70,000
	Electronics	West	70,000
	Electronics	Midwest	66,000
	Metal Products	East	63,000
	Consumer Products	Midwest	60,000
	Industrial Products	Southwest	60,000
	Coal	East	60,000
Area	Automotive	East	60,000
Regional	Industrial Equipment	Midwest	60,000
District	Leasing	West	55,000
District	Leasing	Southwest	55,000
Area	Energy	West	55,000
	Electronics	Midwest	55,000
	Food	Midwest	55,000
	Telecommunications	Southeast	55,000
	Manufacturing	Southeast	55,000
	Consumer Products	West	55,000
	Consumer Products	West	50,000
	Apparel	Southeast	50,000
Regional	Consumer Products	Midwest	50,000
Regional	Coal	Midwest	50,000
	Communications	East	50,000
Regional	Coal	Midwest	50,000
	Instrumentation	East	40,000
	Consumer Products	East	48,000
	Automotive	Midwest	45,000
	Chemical	Southeast	45,000
District	Service	Midwest	45,000
Vice President	Banking	Southeast	45,000
District	Service	Southwest	45,000
Regional	Health Care	Northeast	45,000
Regional	Health Care	West	45,000
	Industrial Equipment	West	45,000

PERSONNEL

POSITION	INDUSTRY	LOCATION	SALARY
Senior VP			
Benefits	Banking	Midwest	$ 81,000
	Financial Services	Northeast	75,000
Vice President			
	Food	East	110,000
	Banking	Southeast	100,000
	Chemical	Midwest	100,000
	Conglomerate	Northeast	90,000
Compensation	Banking	Midwest	89,000
Benefits	Banking	East	80,000
	Food	Midwest	80,000
	Food Services	East	75,000
Training	Banking	East	75,000
	Consumer Products	East	67,000
Assistant	Business Services	East	65,000
	Banking	East	65,000
	Chemical	West	65,000
	Industrial Equipment	Midwest	57,000
	Consumer Products	Southwest	55,000
	Art Supplies	Midwest	55,000
	Banking	Midwest	45,000
Director			
	Health Care	West	100,000
	Consumer Products	Northeast	100,000
	Fine Arts	East	100,000
Compensation	Computer	Northeast	90,000
Security	Insurance	East	85,000
Labor Rel.	Automotive	Midwest	85,000
Training	Energy	Midwest	80,000
	Food	Midwest	80,000
	Service	East	75,000
	Energy	East	70,000
Education	Data Management	West	70,000
Labor Relations	Chemical	Northeast	60,000
	Manufacturing	Midwest	60,000
Compensation	Publishing	East	60,000
Training	Food	Northeast	60,000
	Transportation	West	60,000
Training	Cosmetics	Northeast	60,000
	Industrial Equipment	Midwest	54,000
Compensation	Advertising	Midwest	54,000
	Communications	West	50,000
	Health Care	Southwest	50,000
	Manufacturing	Southwest	50,000
Training	Finance	Southwest	45,000
Manager			
	Investment Banking	Northeast	100,000
	Chemical	East	100,000
	Chemical	Northeast	55,000
Benefits	Banking	Midwest	47,000
	Health Care	Northeast	45,000

PLANNING

POSITION	INDUSTRY	LOCATION	SALARY
Vice President			
Analysis	Industrial Products	East	100,000
Senior	Communications	West	150,000
	Food	East	150,000
	Building Products	East	150,000

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POSITION	INDUSTRY	LOCATION	SALARY
	Banking	East	$150,000
New Business	Manufacturing	East	120,000
	Food	Midwest	110,000
Acquisitions	Energy	Southwest	100,000
	Computer Services	West	80,000
Acquisitions	Banking	West	80,000
	Insurance	East	75,000
	Medical Equipment	West	65,000
	Banking	East	60,000
Director			
	Electronics	West	125,000
Group	Food	Midwest	110,000
	Automotive	Midwest	100,000
New Ventures	Health Care	Southwest	90,000
	Telecommunications	West	80,000
	Telecommunications	Northeast	80,000
	Computer	East	70,000
Analysis	Industrial Equipment	East	70,000
New Business	Insurance	Southeast	60,000
	Consumer Products	East	60,000
	Pharmaceutical	Midwest	55,000
	Paper	West	55,000
	Health Care	West	45,000
	Entertainment	East	45,000
Manager			
	Energy	Southwest	100,000
Asst. GM	Transportation	Southwest	75,000
	Paper	West	70,000
	Food	Midwest	70,000
	Insurance	West	60,000
	Insurance	East	55,000
	Energy	Midwest	55,000
	Telecommunications	East	55,000

PUBLIC RELATIONS

POSITION	INDUSTRY	LOCATION	SALARY
Vice President			
	Mining	East	120,000
	Electronics	Midwest	115,000
	Technology	West	110,000
	Manufacturing	Midwest	100,000
	Photography	East	100,000
Public Affairs	Pharmaceutical	Midwest	100,000
	Transportation	East	80,000
	Finance	Southwest	60,000
Director			
	Petroleum	Midwest	120,000
	Banking	West	100,000
	Food	Midwest	100,000
	Hospitality	Southwest	80,000
	Food	East	70,000
Media	Advertising	West	50,000
	Transportation	West	50,000
	Health Care	West	45,000
Manager			
Media Relations	Food	Midwest	75,000

LEGAL

POSITION	INDUSTRY	LOCATION	SALARY
General Counsel			
Vice President	Building Materials	Midwest	250,000
Vice President	Insurance	East	150,000
Vice President	Energy	East	150,000
	Computer	East	135,000
Assistant	Real Estate	West	100,000
Secretary	Mining	East	$100,000
Vice President	Real Estate	Midwest	75,000
	Health Care	West	70,000
	Personal Services	West	60,000
Counsel			
Tax	Food	Northeast	100,000
	Financial Services	West	80,000
	Financial Services	West	75,000
	Financial Services	Intl.	65,000
Tax	Pharmaceutical	East	60,000
Tax	Food	East	55,000
Asst. Secretary	Communications	East	55,000
Associate	Financial Services	East	50,000
Director			
Tax	Conglomerate	East	90,000
Tax	Manufacturing	Northeast	70,000
Manager	Banking	Southwest	120,000

DATA PROCESSING

POSITION	INDUSTRY	LOCATION	SALARY
Vice President			
	Manufacturing	East	200,000
	Data Systems	East	180,000
	Paper	East	135,000
	Utilities	East	120,000
Services	Printing	Midwest	120,000
Senior VP	Banking	Southeast	100,000
Senior VP	Banking	West	100,000
	Service	Northeast	90,000
Senior VP	Banking	Midwest	85,000
Services	Banking	East	80,000
Services	Publishing	Midwest	80,000
Systems	Banking	West	75,000
System Devel.	Banking	Midwest	70,000
MIS	Communications	East	55,000
Assistant	Apparel	East	50,000
Director			
Consulting	Computer Services	West	110,000
MIS	Health Care	West	100,000
	Food	Midwest	100,000
	Financial Services	Southwest	100,000
Systems	Communications	Southeast	95,000
Systems Devel.	Food Services	Midwest	83,000
MIS	Rubber	West	76,000
MIS	Architecture	Southwest	70,000
MIS	Architecture	East	70,000
Systems Devel.	Retail	West	60,000
MIS	Health Care	East	60,000
MIS	Health Care	Southwest	60,000
MIS	Manufacturing	East	50,000
Services	Chemical	Midwest	50,000
Manager			
Systems	Electronics	West	75,000
Development	Energy	Midwest	65,000
Systems	Electronics	East	60,000
Systems	Engineering	Northeast	60,000
Software Devel.	Telecommunications	West	55,000
Software	Computer Services	West	55,000
MIS	Financial Services	West	55,000
Systems	Banking	West	50,000
Programming	Medical Products	Midwest	40,000
Project	Financial Services	East	45,000
Operations	Financial Services	East	45,000

RESEARCH & DEVELOPMENT

POSITION	INDUSTRY	LOCATION	SALARY
Vice President			
	Chemical	East	$225,000
Technology	Electronics	East	220,000
	Electronics	Northeast	175,000
Senior VP	Electronics	East	140,000
Technical	Computer Services	Northeast	90,000
Executive VP	Electronics	Southeast	85,000
	Industrial Equipment	Midwest	80,000
	Pharmaceutical	Northeast	70,000
Director			
Medical	Pharmaceutical	East	120,000
	Electronics	Midwest	90,000
	Electronics	Northeast	90,000
	Health Care	East	77,000
	Pharmaceutical	East	75,000
	Transportation	West	55,000
Manager			
	Technology	South	50,000

ENGINEERING

POSITION	INDUSTRY	LOCATION	SALARY
Vice President			
Software	Computer	Northeast	150,000
	Energy	West	150,000
	Energy	Southwest	120,000
	Conglomerate	Southwest	120,000
R&D	Electronics	West	100,000
	Automotive	Midwest	100,000
	Communications	Southwest	100,000
Program Manager	Telecommunications	Northeast	100,000
Product Devel.	Electronics	Midwest	98,000
& Research	Mining	East	90,000
	Computer	West	90,000
Senior	Paint	Midwest	87,000
Chief	Industrial Products	Northeast	85,000
Operations	Transportation	East	75,000
	Electronics	Midwest	70,000
	Electronics	West	70,000
	Food	East	70,000
	Electrical	Southwest	60,000
Field	Telecommunications	Northeast	60,000
	Instrumentation	East	60,000
	Electronics	East	55,000
	Medical Equipment	Southwest	50,000
	Manufacturing	East	45,000
Manager			
	Energy	Southwest	$100,000
New Products	Consumer Products	Midwest	80,000
Project	Construction	West	80,000
Program	Aerospace	West	80,000
Project	Aerospace	West	70,000
	Energy	West	70,000
	Chemical	East	60,000
	Mining	Northeast	60,000
	Energy	Southwest	60,000
	Medical Equipment	Southwest	55,000
Project	Manufacturing	West	55,000
Product Devel.	Manufacturing	Midwest	55,000
Applications	Automotive	Midwest	54,000
Program	Technology	East	50,000
	Energy	Southwest	50,000
	Industrial Equipment	West	50,000
	Lighting	Northeast	50,000
	Industrial Equipment	East	50,000
	Electronics	Midwest	45,000
Process	Chemical	Midwest	45,000
	Medical Equipment	Southwest	45,000
Group	Industrial Products	East	45,000
Project	Manufacturing	West	45,000
Project	Instrumentation	East	45,000
Director			
	Electronics	East	100,000
Field	Broadcasting	Northeast	100,000
	Electronics	Southwest	100,000
	Construction	Southeast	80,000
Technical	Scientific Equipment	Northeast	75,000
Planning	Communications	Midwest	70,000
Associate	Consumer Products	Midwest	70,000
	Industrial Equipment	West	60,000
	Manufacturing	East	60,000
	Automotive	East	60,000
	Paper	Midwest	55,000
Process	Manufacturing	East	55,000
Product	Electronics	East	55,000
	Food	Southwest	50,000
	Manufacturing	East	45,000
Chief Engineer			
	Communications	East	110,000
	Energy	Southwest	60,000
	Energy	East	50,000
	Food	East	50,000
	Automotive	Midwest	45,000

FIRMS PARTICIPATING IN JOB SURVEY

Battalia & Associates, Inc.
275 Madison Ave., New York, N.Y. 10016
Billington, Fox & Ellis, Inc.
20 N. Wacker Drive, Chicago, Ill. 60606
Boyden Associates, Inc.
260 Madison Ave., New York, N.Y. 10016
Canny, Bowen, Inc.
425 Park Ave., New York, N.Y. 10022
DeVoto & Berry Partners, Ltd.
201 E. Ogden Ave., Hinsdale, Ill. 60521
Eastman & Beaudine, Inc.
111 West Monroe St., Chicago, Ill. 60603
Handy Associates, Inc.
245 Park Ave., New York, N.Y. 10167

Fenvessy & Schwab, Inc.
645 Madison Ave., New York, N.Y. 10022
Haskell & Stern Associates, Inc.
529 Fifth Ave., New York, N.Y. 10017
Ward Howell International, Inc.
99 Park Ave., New York, N.Y. 10016
A.T. Kearney, Inc.
222 S. Riverside Plaza, Chicago, Ill. 60606
Korn/Ferry International
1900 Ave. of the Stars, Los Angeles, Calif. 90067
Kremple & Meade
1900 Ave. of the Stars, Los Angeles, Calif. 90067
William Stack Associates, Inc.
230 Park Ave., New York, N.Y. 10169

Paul Stafford Associates, Ltd.
45 Rockefeller Plaza, New York, N.Y. 10111
Staub, Warmbold & Associates
655 Third Ave., New York, N.Y. 10017
Spencer Stuart & Associates
55 E. 52nd St., New York, N.Y. 10055
William H. Willis, Inc.
445 Park Ave., New York, N.Y. 10022
Wytmar & Co., Inc.
10 S. Riverside Plaza, Chicago, Ill. 60606
Arthur Young & Co.
277 Park Ave., New York, N.Y. 10172

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(9/30/83) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$20.70/share	$10,125	**$14,266**
per cent change		+ 1.2%	**+ 43%**
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$101.63	$10,403	**$10,062**
ACCUMULATED INCOME		$ 100	**$ 96**
TOTAL		$10,503	**$10,158**
per cent change		+ 5.0%	**+ 1.5%**
Money Market Fund	8.75%	$10,072	**$10,856**
per cent change		+ .72%	**+ 8.6%**
Gold (Krugerrands)	$421.75/oz.	$ 9,700	**$10,174**
per cent change		− .3%	**+ 1.7%**
HOUSE PRICES	Recent	Month Earlier	**Year Earlier**
Existing House	$78,400	$82,900	**$71,400**
per cent change		− 5.4%	**+ 9.8%**
New House	$100,700	$94,000	**$95,000**
per cent change		+ 7.1%	**+ 6.0%**

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

tors is using its wheels for the Chevrolet Chevette and on the Pontiac Fiero. Profit margins have widened in response to rising sales on top of the company's strict cost control program, so Nurock believes that earnings, which were 53 cents a share in 1982, will jump to $1.45 this year and $2 a share in 1984. The stock recently traded at 16.

Another special situation Nurock favors is Nortek, a diversified manufacturer of industrial and electronic products, which, he says, has dramatically improved its financial position through an acquisition last August. Nortek bought Monogram Industries, a maker of aerospace and electronics products, for a package of debt and stock. Monogram has extremely high cash flow and is almost debt-free in contrast to Nortek, which is highly leveraged. He sees cash from Monogram and from sales of its incompatible operations reducing Nortek's debt and its interest costs.

Including Monogram's results, Nurock expects that Nortek's earnings this year will be flat, $1.60 a share versus last year's $1.59. But starting next year, the acquisition should pay off in a solid boost of earnings to $2.05-to-$2.10 a share. The stock is trading at around 14. Nurock believes that as investors realize what Monogram's acquisition can do for Nortek, the stock should be marked up accordingly. —A.H.

Do-It-Yourself Stock Trading

For the first time, individual investors can now use a personal computer to trade securities from their homes or offices. San Francisco discount broker C.D. Anderson & Co. has come up with a new service called Desk Top Broker that offers stock and options trading as well as portfolio management on one floppy disk.

The computer program maintains records, tax status and performance evaluation on up to three portfolios. It also gives the prices of all listed stocks and offers constantly updated stock prices during market trading hours to help investors in their trading decisions and portfolio management. The cost is $300 for the program plus a minimum $10 a month for telephone services. All charges should be tax-deductible as normal business expenses.

The stock trading program walks the investor through the placing of an order by posing the same questions a live broker asks. The investor can place an order to buy or sell for a personal, IRA or Keogh account—specifying price at "market" or "limit," the order as for the "day" or "good until canceled," payment in cash or on margin and whether certificates are to be held or delivered.

Before the order is sent, it is displayed on the computer screen so that the investor can confirm its accuracy. Then it goes directly to the wire room at C.D. Anderson. Orders can be placed 24 hours a day, seven days a week. For security, the investor has two passwords: one to enter the system and another, which never appears on the screen, to trade.

The program is easy to use and takes no time to learn. For example, instructions appear on the screen telling the user which letter to type for each step in the order, so the user doesn't have to memorize the instructions.

In addition to privacy and speed, trading by personal computer allows the investor to place an order at his own convenience without using a broker and to consolidate portfolio maintenance and trading. According to President C. Derek Anderson of C.D. Anderson, most customers sit down at the computer at night to enter orders for the next day.

The portfolio records maintained by the Desk Top Broker show for each security the purchase date and price, current price, market value yield and realized and unrealized capital gains and losses. Tax reports show the tax

12/9/83
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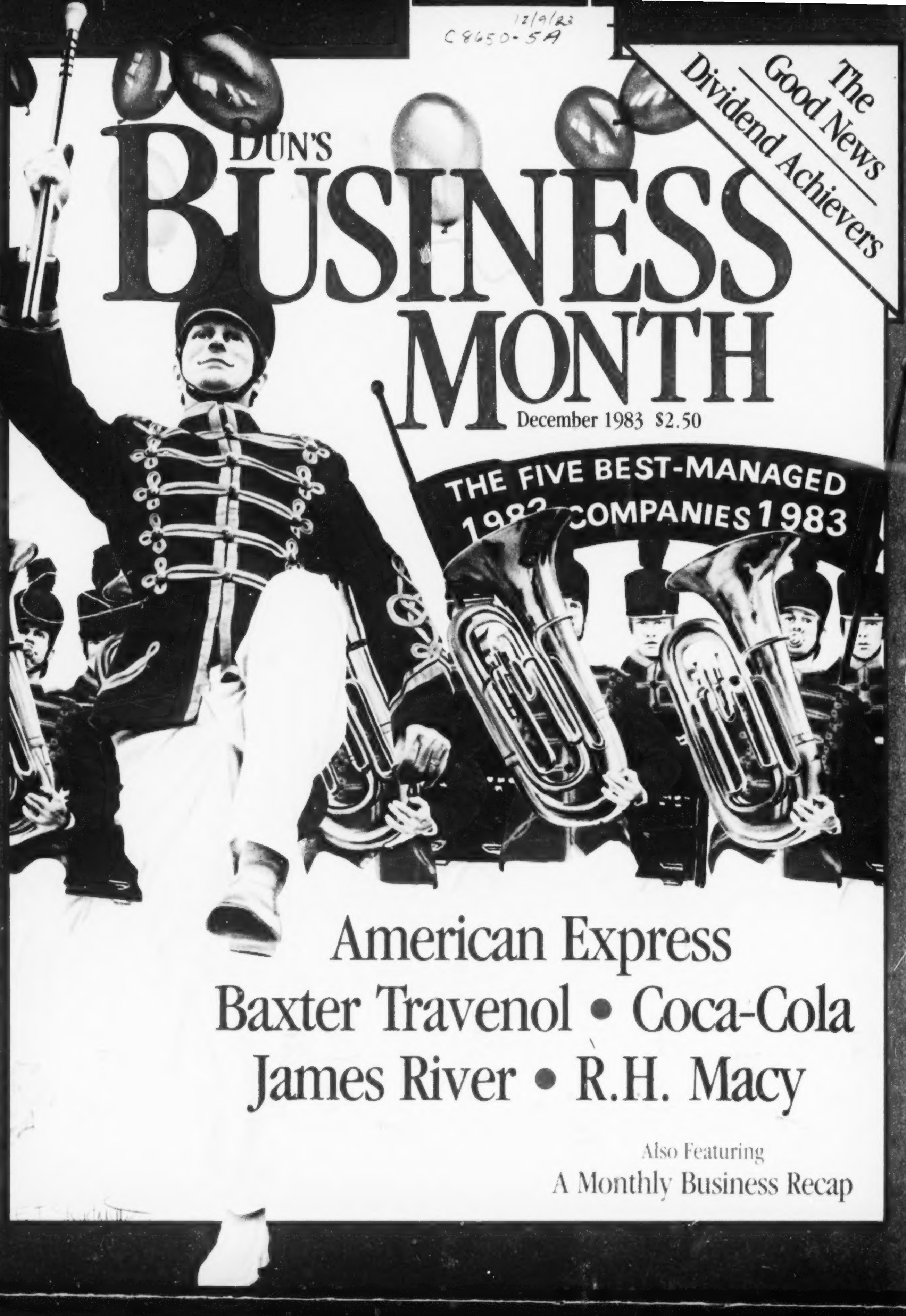
The Good News
Dividend Achievers

DUN'S BUSINESS MONTH

December 1983 $2.50


THE FIVE BEST-MANAGED
1983 COMPANIES 1983

American Express
Baxter Travenol • Coca-Cola
James River • R.H. Macy

Also Featuring
A Monthly Business Recap

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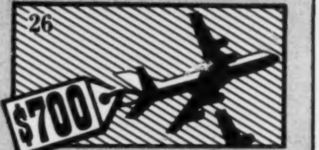

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acceptable to the Internal Revenue Service and most insurance companies.

Telepraisal was founded a little more than a year ago by Carol Prisant, a Roslyn, New York, art appraiser, and her son, Barden, a recent Yale graduate and computer buff. Seeing a growing frustration among investors over the lack of reliable information, they began collecting regular price reports from thousands of auction houses worldwide and feeding the information into a computer. Since then, they have served nearly 3,000 clients from around the world, including dealers, corporations, individual collectors and museums such as Harvard's Fogg Library.

Among Telepraisal's customers are a Long Island couple, who, on a hunch, checked with Telepraisal before tossing out a faded portrait. The painting turned out to be worth $14,000. In another case, a major corporation called to double-check the value of a painting a senior executive had acquired on the company's behalf for $200,000. A computer check revealed its value to be $55,000. ■

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(10/31/83) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$20.41/share	$ 9,860	$12,658
per cent change		−1.4%	+27%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$98.813	$ 9,722	$ 9,170
ACCUMULATED INCOME		$ 96	$ 91
TOTAL		$ 9,818	$ 9,261
per cent change		−1.2%	−1.8%
Money Market Fund	8.67%	$10,073	$10,855
per cent change		+.73%	+8.5%
Gold (Krugerrands)	$395.50/oz.	$ 9,378	$ 8,999
per cent change		−6.2%	−10.1%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$78,800	$78,400	$70,500
per cent change		+.6%	+ 8.9%
New House	$95,800	$100,700	$99,100
per cent change		−5.1%	−3.4%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

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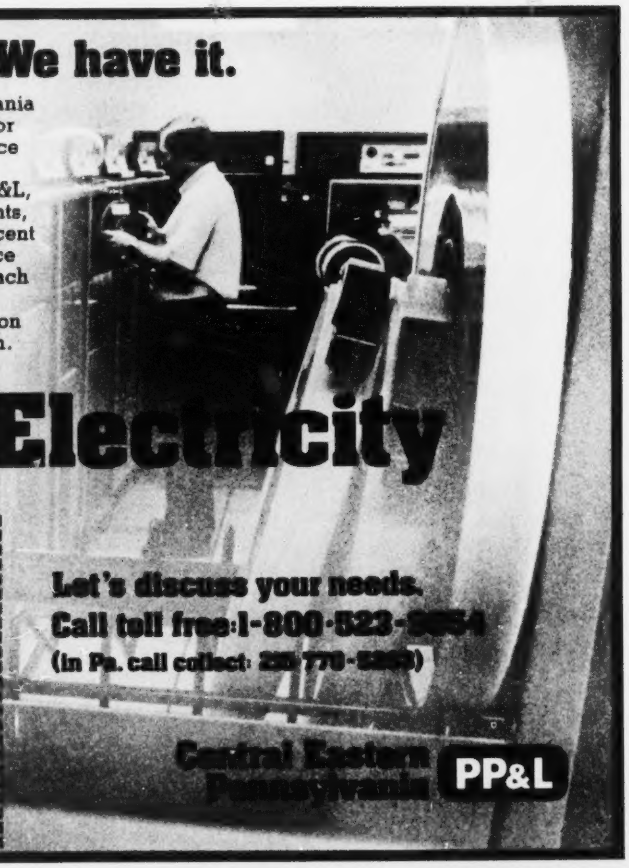

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Surveys and Studies

Dividend Achievers Suffer First Setback

Number of companies that have raised dividends consistently fell to 414 this year from 434 in 1982, Moody's study shows.

The recent recession took its toll on the number of American and Canadian companies with outstanding dividend-growth records.

For the first time since DUN'S BUSINESS MONTH inaugurated the survey five years ago, there is shrinkage in the ranks of Top Corporate Performers—companies that have increased their dividends for at least ten consecutive years; one stumble or one year of flat dividends and they are out.

Last year, 434 companies met the test. This year, there are only 414, a 4.2% decline. Even with the decrease, however, the list is still a solid 78% longer than the inaugural one, published in 1979.

This year, 63 companies joined the ranks of top performers. Among them are Borden, Inc., Ex-Cell-O Corp. and FMC Corp. But the newcomers were more than offset by the dropouts, as 83 corporations failed to meet the stringent requirements. Among the dropouts are Atlantic Richfield Co., Standard Oil Co. of California and Warner Communications, Inc.

The best performer of all this year is RPM, Inc., a producer of specialized protective coatings, fabrics and wall coverings that has increased its dividends at the compound rate of 41.2% during the past decade. Runners-up among the top five are AAR Corp. (40.6% compound growth), Parsons Corp. (40.1%), American States Life Insurance (38.7%) and Hughes Tool Co. (35.6%). Interestingly, all of the top five, except Parsons, are newcomers to the list.

Keystone International, Inc., last year's leader, dropped to sixth place as its dividend growth slid from 54.2% to 35.2%; that's still terrific, of course, but not good enough for top honors.

The list of dividend achievers is compiled for DUN'S BUSINESS MONTH by Moody's Investors Service from the approximately 4,000 companies in its data base. This universe includes all the firms listed on the New York and American Stock Exchanges and all those actively traded on the NASDAQ over-the-counter market.

As an investment guide, the top-performers list is based on the belief that an investment in a fixed-income security with a substantial current yield does not necessarily provide the highest income over the long run. Not only can an investor enjoy a high cash return from a stock that consistently increases its dividend, but he can also receive a kicker in the form of capital appreciation.

For example, the average yield on the top performers this year is 4.5% (versus 5.6% last year). At that rate, a $10,000 investment would return $450 in dividends compared with interest of $1,278 for a similar investment in a corporate bond, where the recent rate was 12.78%.

But the dividend may grow, while interest from the bond remains the same. Thus, using the 14% growth rate that prevailed for the average Top Corporate Performer during the past ten years, the theoretical annual dividend on $10,000 in stocks would rise to $1,463 in the tenth year, overtaking the annual interest from the bonds.

In addition, there is the potential for large capital appreciation on the stock. Based on a projected annual dividend of $2,818 in the fifteenth year and a continuation of the 4.5% yield, the $10,000 investment in stocks could theoretically be worth more than $62,600, a fivefold increase in market value. Even if interest rates were to fall sharply, bonds wouldn't appreciate anywhere near as much.

Viewed another way, the stocks would outperform the bonds in only three years. By then, the stocks could return more than $4,500 ($1,500 in dividends plus $3,000 in appreciation) versus only $3,834 for the bonds.

TOP CORPORATE PERFORMERS

Rank	Company	Where Traded	Current Indicated Dividend	1973 Dividend	Ten-Year Dividend Growth Rate[6]	Recent Stock Price	Current Yield
1	RPM Inc.	OTC	$ .56	$.0142	41.2%	$18	3.1%
2	AAR Corp.	NYSE	.44	.0146	40.6	15¼	2.9
3	Parsons Corp.	NYSE	1.00	.03	40.1	23¾	4.2
4	American States Life Insurance Co.	OTC	.88	.0333	38.7	41½	2.1
5	Hughes Tool Co.	NYSE	.84	.04	35.6	21¼	4.0
6	**Keystone International, Inc.**	**NYSE**	**.48**	**.023**	**35.2**	**18¼**	**2.6**
7	**Service Master Industries, Inc.**	**OTC**	**.88**	**.043**	**34.4**	**39¾**	**2.2**
8	**Nucor Corp.**	**NYSE**	**.32**	**.015**	**34.2**	**38½**	**0.8**
9	**Hospital Corp. of America**	**NYSE**	**.40**	**.024**	**31.9**	**44¾**	**0.9**
10	**Harland (John H) Co.**	**NYSE**	**.76**	**.05**	**31.3**	**39¾**	**1.9**
11	Levi Strauss & Co.	NYSE	1.85	.115	30.9	45½	4.1
12	Schlumberger Limited	NYSE	1.04	.07	30.2	55⅛	1.9
13	Duplex Products, Inc.	ASE	.76	.054	29.9	25¾	3.0
14	A[illegible]me Electric Corp.	NYSE	.32	.0237	29.6	11¼	2.8
15	Cameron Iron Works, Inc.	NYSE	.40	.03	29.6[7]	18⅝	2.2
16	**Dart & Kraft Inc.**	**NYSE**	**3.84**	**.2888**	**29.5**	**71⅜**	**5.4**
17	**Rite Aid Corp.**	**NYSE**	**.64**	**.05**	**29.0**	**42¾**	**1.5**
18	**Pay N Pac Stores, Inc.**	**NYSE**	**.56**	**.04**	**28.7**	**18⅜**	**3.0**
19	**Grumman Corp.**	**NYSE**	**.90**	**.07**	**28.4**	**29¾**	**3.0**
20	**Mary Kay Cosmetics, Inc.**	**NYSE**	**.12**	**.01**	**28.2**	**20⅜**	**0.6**
21	Kaman Corp.	OTC	.48	.034	27.6	41¾	1.1
22	Bairnco Corp.	NYSE	.60	.05	27.1	36½	1.6
23	Great Lakes Chemical Corp.	ASE	.32	.0275	27.0	68⅞	0.5
24	Cross (A. T.) Co.	ASE	1.20	.11	26.5	34¼	3.5
25	Wiser Oil Co.	OTC	.88	.085	26.4[7]	24	3.7
26	**Hon Industries, Inc.**	**OTC**	**.56**	**.055**	**26.1[7]**	**22½**	**2.5**
27	**Omark Industries, Inc.**	**NYSE**	**1.04**	**.10**	**26.1**	**25⅞**	**4.0**
28	**Baker International Corp.**	**NYSE**	**.92**	**.092**	**25.9**	**20¾**	**4.4**
29	**Ohio-Sealy Mattress Manuf. Co.**	**ASE**	**.40**	**.037**	**25.8**	**17¼**	**2.3**
30	**Gannett Co., Inc.**	**NYSE**	**1.28**	**.123**	**25.6**	**41¾**	**3.1**
31	Lee Enterprises Inc.	NYSE	.64	.066	25.2	25	2.6
32	Betz Laboratories, Inc.	OTC	1.00	.10	25.1	36⅛	2.8
33	Houston Natural Gas Corp.	NYSE	1.82	.19	25.1	45⅞	4.0
34	Revco D.S. Inc.	NYSE	.68	.07	25.1	35½	1.9
35	Flowers Industries, Inc.	NYSE	.48	.05	24.5	17	2.8
36	**Equitable Bancorporation**	**OTC**	**.60**	**.0639**	**24.3**	**19¾**	**3.0**
37	**Smith International Inc.**	**NYSE**	**.96**	**.11**	**24.2**	**24¾**	**3.9**
38	**Roadway Services, Inc.**	**OTC**	**1.80**	**.19**	**24.1**	**69**	**2.6**
39	**Rollins, Inc.**	**NYSE**	**.70**	**.08**	**24.1**	**54**	**1.3**
40	**West Co., Inc. (The)**	**NYSE**	**.40**	**.045**	**23.8**	**31¼**	**1.3**
41	Halliburton Co.	NYSE	1.60	.19	23.7[7]	42⅛	3.8
42	Philip Morris Inc.	NYSE	2.90	.33	23.7	69¾	4.2
43	Meenan Oil Co., Inc.	ASE	.28	.034	23.5[7]	11⅝	2.4
44	United Industrial Corp.	NYSE	.40	.047	23.5	27⅜	1.5
45	Big Three Industries Inc.	NYSE	.72	.09	23.1	23	3.1
46	**Sunwest Financial Services, Inc.**	**OTC**	**1.24**	**.15**	**23.0**	**28¼**	**4.4**
47	**Communications Industries, Inc.**	**OTC**	**.32**	**.0395**	**22.9**	**23**	**1.4**
48	**Commerce Clearing House, Inc.**	**OTC**	**1.72**	**.216**	**22.8**	**57**	**3.0**
49	**Kelly Services Inc.**	**OTC**	**1.00**	**.122**	**22.8**	**46**	**2.2**
50	**Colt Industries, Inc.**	**NYSE**	**2.20**	**.26**	**22.6**	**50¼**	**4.4**
51	Bowl America Inc.	ASE	.46	.0567	22.5	11½	4.0
52	Entex, Inc.	NYSE	1.20	.15	22.5	21	5.7
53	Fort Howard Paper Co.	NYSE	1.32	.17	22.2	59⅞	2.2
54	Jack Eckerd Corp.	NYSE	.96	.13	22.1	26½	3.6
55	Heck's, Inc.	NYSE	.28	.037	22.0	18¾	1.5
56	**Masco Corp.**	**NYSE**	**.44**	**.06**	**22.0**	**33⅛**	**1.3**
57	**Cincinnati Financial Corp.**	**OTC**	**2.00**	**.269**	**21.8**	**72**	**2.8**
58	**Dexter Corp.**	**NYSE**	**.78**	**.17**	**21.8**	**23½**	**3.3**
59	**American Recreation Centers, Inc.**	**OTC**	**.12**	**.0154**	**21.7**	**8¾**	**1.4**
60	**Knight-Ridder Newspapers, Inc.**	**NYSE**	**1.12**	**.15**	**21.7**	**58⅞**	**1.9**
61	Sun Company, Inc.	NYSE	2.30	.323	21.7	44¼	5.2
62	Daniel Industries, Inc.	NYSE	.18	.025	21.6	9½	1.9
63	Block (H & R), Inc.	NYSE	2.08	.28	21.5	46½	4.5
64	Morrison Knudsen Co. Inc.	NYSE	1.32	.19	21.4	31½	4.2
65	Cooper Industries Inc.	NYSE	1.52	.22	21.3	33½	4.5
66	**Wallace Computer Services, Inc.**	**NYSE**	**.36**	**.0532**	**21.1**	**31**	**1.2**
67	**Baxter Travenol Laboratories, Inc.**	**NYSE**	**.28**	**.04**	**21.0**	**58⅜**	**0.5**
68	**Hunt Manufacturing Co.**	**ASE**	**.38**	**.057**	**20.9**	**19¼**	**2.0**
69	**Pioneer Corp.**	**NYSE**	**1.16**	**.175**	**20.8**	**26**	**4.5**
70	**Abbott Laboratories**	**NYSE**	**1.00**	**.1468**	**20.7**	**52½**	**1.9**

Latest Earnings Per Share	1982 Payout	Annual Sales (millions)	Net Income (millions)	Return on Sales	Stockholders' Equity (millions)	Return on Equity	Fiscal Year
$ .99	40.4%	$ 131.0	$ 7.2	5.5%	$ 48.3	14.9%	5/31/83
.71	60.6	155.0	2.8	1.8	43.2	6.5	5/31/83
1.74	39.5	1,214.0	42.8	3.5	176.8	24.2	12/25/82
3.45	23.2	46.9	7.7	16.4	49.0	15.7	12/31/82
2.65	30.2	1,595.9	147.6	9.3	1,255.9	11.8	12/31/82
1.10[3]	39.5	130.1	17.0[3]	13.1	85.0	20.0	12/31/82
.98	68.4	598.4	21.6	3.6	54.8	39.4	12/31/82
1.59	16.4	486.0	22.2	4.6	202.3	11.0	12/31/82
2.25	13.8	3,539.4	171.9	4.9	1,234.7	13.9	12/31/82
2.04	30.4	160.2	17.1	10.7	76.6	22.3	12/31/82
3.05	54.1	2,572.1	126.6	4.9	970.0	13.1	11/28/82
4.60	20.9	6,283.8	1,349.2	21.5	5,226.4	25.8	12/31/82
2.34	29.1	219.8	9.0	4.1	62.0	14.5	10/31/82
.04	750.0	49.9	0.1	0.3	18.8	0.7	6/30/83
0.11	363.6	955.9	3.3	0.3	546.4	0.6	6/30/83
6.40	56.3	9,974.4	350.3	3.5	2,773.5	12.6	12/31/82
2.37	22.4	1,294.7	49.9	3.9	260.7	19.2	2/26/83
0.87	55.6	187.3	6.4	3.4	47.4	13.5	2/28/83
3.36	21.6	2,056.7	90.3	4.4	370.8	24.4	12/31/82
1.18	9.3	304.3	35.3	11.6	95.3	37.1	12/31/82
1.34	23.9	416.5	9.2	2.2	77.9	11.8	12/31/82
3.32	13.6	370.9	18.8	5.1	111.3	16.9	12/31/82
1.14	22.8	169.7	16.4	9.7	123.6	13.3	12/31/82
1.74	61.8	109.3	14.3	13.1	23.9	6.0	12/31/82
1.33	66.2	54.7	12.1	22.1	88.1	13.7	12/31/82
1.04	58.8	283.2	11.2	4.0	95.7	11.7	1/1/83
1.86	53.8	260.7	13.3	5.1	139.8	9.5	6/30/82
3.60	23.3	2,535.1	248.6	9.8	1,182.1	21.0	9/30/82
.68	43.9	67.4	6.0	8.9	32.9	18.2	11/30/82
2.26	50.7	1,519.5	180.5	11.9	930.9	19.4	12/28/82
1.43	39.2	160.6	19.8	12.3	110.0	18.0	9/30/82
1.93	42.5	254.7	30.6	12.0	143.4	21.3	12/31/82
6.46	25.5	3,180.7	262.7	8.3	1,260.9[5]	20.8	7/31/82
2.13	25.7	1,792.8	66.5	3.7	372.2	17.9	5/28/83
1.25	30.0	522.3	19.2	3.7	116.1	16.8	7/3/83
1.46	28.1	247.2	12.4	5.0	149.3	8.3	12/31/82
3.61	25.8	1,072.9	82.3	7.7	664.8	12.4	12/31/82
3.83	36.6	1,146.6	76.2	6.6	400.8	16.3	12/31/82
.20	325.0	444.2	5.3	1.2	222.5	2.4	6/30/83
4.27	42.2	1,110.6	43.1	3.9	389.2	11.1	8/30/82
4.21	38.0	7,257.3	496.8	6.9	3,482.1	14.3	12/31/82
6.23	36.9	11,716.1	781.8	6.7	3,662.9	21.3	12/31/82
.84[3]	33.3	243.8	2.1[3]	0.9	17.3[6]	11.6[6]	6/30/83
1.38	22.5	257.4	13.9	5.4	64.9	21.5	12/31/82
2.05	33.7	767.8	86.8	11.3	609.8	14.2	12/31/82
3.74	27.8	61.3	16.6	27.1	112.0	14.8	12/31/82
1.05	24.8	61.5	9.0	14.6	57.0	15.8	12/31/82
3.50	42.3	361.4	31.5	8.7	79.5	39.6	12/31/82
1.81	49.7	419.9	12.0	2.9	84.2	14.3	1/2/83
3.24	55.6	1511.6	82.5	5.5	443.5	18.6	12/31/82
1.34	27.6	16.7	1.7	10.2	9.0[6]	16.7[6]	7/3/83
2.65	39.3	1,317.9	57.1	4.3	229.9[6]	20.8[6]	6/30/83
3.43	31.5	537.0	92.4	17.2	438.4	21.1	12/31/82
1.90	48.9	2080.2	70.7	3.4	529.7	13.3	7/31/82
.60[3]	40.0	399.3	5.8[3]	1.5	113.6	5.1	12/31/82
1.50	26.7	855.7	77.6	9.1	589.4	13.2	12/31/82
6.11	27.0	390.7	40.7	10.4	217.5	18.7	12/31/82
1.59	41.5	522.2	24.5	4.7	174.1	14.1	12/31/82
.97	10.2	20.3	1.9	9.4	11.8	16.1	5/25/83
3.14	29.3	1,327.7	102.9	7.8	763.7	13.5	12/31/82
4.49	50.1	16,258.0	537.0	3.3	5,192.0	10.3	12/31/82
1.66	10.1	195.3	15.2	7.8	97.9	15.5	9/30/82
3.34	57.5	341.5	40.8	11.9	203.4	20.1	4/30/83
3.86	32.9	2,360.9	39.3	1.7	294.2	13.4	12/31/82
2.76	52.5	2,394.0	135.1	5.7	1,265.6	10.7	12/31/82
1.57	21.6	186.6	14.2	7.6	82.0	17.3	7/31/82
1.32	16.7	1,671.4	186.9	11.2	1061.0	17.6	12/31/82
1.13	30.1	77.6	4.9	6.3	27.9	17.6	11/30/82
1.66	62.7	1,118.7	61.5	5.5	369.5	16.6	12/31/82
2.37	34.1	2,602.4	289.1	11.1	1,310.9	22.1	12/31/82

TOP CORPORATE PERFORMERS

Rank	Company	Where Traded	Current Indicated Dividend	1973 Dividend	Ten-Year Dividend Growth Rate*	Recent Stock Price	Current Yield
71	Lewis (Palmer G.) Co., Inc.	OTC	$ .28	$ .041	20.6%	$ 10¼	2.7%
72	Heileman (G.) Brewing Co., Inc.	NYSE	.46	.07	20.5	42⅞	1.1
73	Progressive Corp.	OTC	.16	.0237	20.5	40	0.4
74	Southland Corp.	NYSE	.84	.13	20.5	42⅛	2.0
75	A.M.P. Incorporated	NYSE	1.60	.25	20.4	109	1.5
76	**Deluxe Check Printers, Inc.**	NYSE	1.36	.196	20.3	42	3.2
77	**Alco Standard Corporation**	NYSE	1.12	.18	20.1	38⅜	2.9
78	**Multimedia, Inc.**	OTC	.52	.083	20.1	38½	1.4
79	**Chemed Corp.**	NYSE	1.36	.22	20.0	34⅛	4.0
80	**SuperValu Stores, Inc.**	NYSE	.60	.095	19.8	35	1.7
81	Tennant Co.	OTC	.84	.1375	19.8[7]	21¾	3.9
82	Lear Siegler, Inc.	NYSE	1.60	.26	19.7	42⅞	3.7
83	Dover Corp.	NYSE	.74	.12	19.6	30½	2.4
84	Johnson & Johnson	NYSE	1.10	.18	19.6	46½	2.4
85	Rochester Telephone Corp.	NYSE	2.16	.36	19.6	32⅝	6.6
86	**Core Industries, Inc.**	NYSE	.48	.08	19.4	14½	3.3
87	**Cigna Corp.**	NYSE	2.48	.418	19.3	46½	5.3
88	**Millipore Corp.**	OTC	.40	.065	19.3	28½	1.4
89	**PHH Group, Inc.**	NYSE	.84	.135	19.3	34¼	2.5
90	**Albertson's Inc.**	NYSE	.60	.10	19.2	28	2.1
91	Circle K Corp.	ASE	.74	.13	19.0[7]	23¾	3.1
92	Malone & Hyde, Inc.	NYSE	.84	.1364	19.0	32½	2.6
93	Torchmark Corp.	NYSE	1.60	.283	18.9	37¾	4.3
94	Dean Foods Co.	NYSE	.60	.098	18.8	36⅞	1.6
95	K Mart Corp.	NYSE	1.08	.19	18.8	37⅜	2.9
96	**Allied Telephone Co.**	NYSE	1.00	.18	18.7	24	4.2
97	**Petrolane, Inc.**	NYSE	.50	.09	18.7	15⅜	3.3
98	**Provident Life & Accident Insurance Co.**	OTC	2.60	.46	18.7	65	4.0
99	**Barry Wright Corp.**	NYSE	.48	.08	18.6	31½	1.5
100	**V. F. Corp.**	NYSE	1.00	.155	18.6	66½	3.1
101	Colonial Life & Accident Ins. Co.	OTC	.84	.152	18.4	24¾	3.4
102	Capital Holding Corp.	NYSE	1.40	.26	18.3	36¾	3.8
103	Lomas & Nettleton Financial Corp.	NYSE	1.00	.17	18.3	24⅞	4.0
104	Ogilvy & Mather International, Inc.	OTC	1.64	.305	18.3	52¼	3.1
105	Protective Corp.	OTC	1.16	.215	18.3	25¾	4.5
106	**Russell Corp.**	ASE	.28	.052	18.2	17	1.6
107	**Tidewater Inc.**	NYSE	.90	.17	18.1	21⅜	4.2
108	**American Business Products, Inc.**	NYSE	.48	.087	18.0	22⅝	2.1
109	**United Services Life Ins. Co.**	OTC	1.00	.189	17.9	22¼	4.5
110	**American Express Co.**	NYSE	1.28	.24	17.8	35¾	3.6
111	Employers Casualty Co. (Dallas, TX)	OTC	1.20	.2358	17.7[7]	34	3.5
112	General Signal Corp.	NYSE	1.68	.33	17.7	46⅜	3.6
113	Nalco Chemical Co.	NYSE	1.12	.22	17.7[7]	33⅜	3.4
114	American Hospital Supply Corp.	NYSE	1.00	.19	17.6	46¼	2.2
115	Heinz (H. J.) Co.	NYSE	1.40	.24	17.6	33⅞	4.1
116	**Kaneb Services, Inc.**	NYSE	1.04	.205	17.6	17⅜	6.0
117	**Burndy Corp.**	NYSE	.84	.16	17.5	22⅞	3.7
118	**Carnation Co.**	NYSE	2.20	.44	17.5	50⅞	4.3
119	**Farmers Group, Inc.**	OTC	1.36	.27	17.5	40¼	3.4
120	**Jostens, Inc.**	NYSE	1.00	.20	17.5	28½	3.5
121	Mine Safety Appliance Co.	OTC	.72	.138	17.5	47	1.5
122	United States Tobacco Co.	NYSE	1.16	.233	17.4	36½	3.2
123	Hall (Frank B.) & Co., Inc.	NYSE	1.70	.345	17.3	25¾	6.6
124	International Flavors & Fragrances Inc.	NYSE	1.04	.21	17.3	33⅜	3.1
125	Seaway Food Town, Inc.	OTC	.64	.130	17.3	12¾	5.0
126	**Signal Companies, Inc.**	NYSE	.90	.183	17.3	33⅝	2.7
127	**Brown-Forman Distillers Corp.**	ASE	.88	.18	17.2	33¼[2]	2.6
128	**Melville Corp.**	NYSE	1.09	.2225	17.2	37¾	2.9
129	**Webb Co.**	OTC	.48	.092	17.2	15⅝	3.1
130	**Ohio Casualty Corp.**	OTC	2.52	.52	17.1	49	5.1
131	American Tel & Tel Co.	NYSE	5.85	1.22	17.0	64¾	9.0
132	Nielson (A. C.) Co.	OTC	.68	.13875	17.0	38½[2]	1.8
133	American International Group, Inc.	OTC	.44	.0896	16.9	69¼	0.6
134	Dennison Manufacturing Co.	NYSE	1.60	.31	16.9	36⅜	4.4
135	Standex International Corp.	NYSE	.50	.1025	16.9	14¾	3.4
136	**Western Casualty and Surety Co.**	OTC	2.68	.56	16.9	50¾	5.3
137	**Foxboro Co.**	NYSE	1.04	.22	16.8[7]	36⅝	2.8
138	**Henredon Furniture Industries, Inc.**	OTC	.82	.125	16.7	40	2.1
139	**Lancaster Colony Corp.**	OTC	.64	.14	16.3	19¾	3.2
140	**Rubbermaid, Inc.**	NYSE	.72	.155	16.3	45	1.6

Latest Earnings Per Share	1982 Payout	Annual Sales (millions)	Net Income (millions)	Return on Sales	Stockholders' Equity (millions)	Return on Equity	Fiscal Year
$ .36	72.5%	$ 103.5	$ 0.7	0.7%	$ 16.5	4.2%	1/28/83
1.73	23.1	1,000.6	45.7	4.6	194.1	23.5	12/31/82
d.015	—	248.3	d1.1	—	72.4	—	12/31/82
3.02	25.5	6,782.4	108.1	1.6	703.3	15.4	12/31/82
3.31	42.3	1,243.4	118.9	9.6	714.5	16.6	12/31/82
2.83	**37.5**	**549.5**	**64.9**	**11.8**	**257.6**	**25.2**	**12/31/82**
2.95	**36.7**	**2,852.0**	**61.6**	**2.2**	**397.3**	**15.5**	**9/30/82**
1.27	**36.8**	**225.5**	**29.0**	**12.9**	**157.7**	**18.4**	**12/31/82**
1.79[3]	**63.7**	**249.0**	**16.8[3]**	**6.7**	**50.2**	**33.5**	**12/31/82**
1.85	**28.1**	**5,197.1**	**68.0**	**1.3**	**327.9**	**20.7**	**2/26/83**
.90	93.3	93.9	4.9	5.2	52.1	9.4	12/31/82
4.36	33.9	1,487.5	72.3	4.9	440.2	16.5	6/30/82
2.52	27.0	1,035.2	89.8	8.7	449.0	20.0	12/31/82
2.79	34.8	5,760.9	523.4	9.1	2,799.5	18.7	12/28/82
3.20	63.8	257.5	33.6	13.0	233.4[5]	14.4	12/31/82
1.05	**40.5**	**155.7**	**10.1**	**6.5**	**82.3**	**12.3**	**8/31/82**
6.38	**32.9**	**11,786.9**	**516.9**	**4.4**	**4,764.9**	**10.8**	**12/31/82**
1.20[3]	**28.3**	**271.8**	**16.3[3]**	**6.0**	**177.8**	**9.2**	**12/31/82**
2.20	**31.4**	**576.5**	**34.6**	**6.0**	**187.7**	**3.2**	**4/30/83**
1.91	**25.7**	**3,940.1**	**58.4**	**1.5**	**340.3**	**17.2**	**2/3/83**
1.37	54.0	747.8	15.2	2.0	68.5	22.2	4/30/83
2.12	34.0	2,601.3	34.0	1.3	171.2[8]	16.2[8]	6/30/83
4.01	37.4	947.8	79.4	8.4	646.0	12.3	12/31/82
2.02	22.4	747.2	18.4	2.5	91.6	20.1	12/25/82
2.06	48.1	17,040.8	261.8	1.5	2,601.3	10.1	1/26/83
2.78	**35.2**	**68.3**	**11.2**	**16.4**	**72.2[8]**	**15.6**	**12/31/83**
2.00	**24.0**	**1,978.2**	**104.3**	**5.3**	**511.5**	**20.4**	**9/30/82**
7.35	**32.4**	**1,066.7**	**69.0**	**6.5**	**614.6**	**11.2**	**12/31/82**
1.28	**31.3**	**140.8**	**10.9**	**7.7**	**77.5**	**14.1**	**12/31/82**
5.63	**23.1**	**879.5**	**91.6**	**10.4**	**309.8**	**29.6**	**1/1/83**
2.60	38.5	107.8	13.4	12.4	113.0	11.9	12/31/82
3.98	33.2	1039.0	101.6	9.8	902.9	11.3	12/31/82
1.91	40.3	205.5	27.5	13.4	145.4	18.9	6/30/83
3.46	45.1	327.4	14.8	4.5	94.9	15.6	12/31/82
3.28	32.9	222.2	16.4	7.4	104.0	15.8	12/31/82
1.12	**22.9**	**275.3**	**21.2**	**7.7**	**140.0**	**15.1**	**1/1/83**
3.07	**28.7**	**431.8**	**51.5**	**11.9**	**329.1**	**15.6**	**3/31/83**
1.33	**28.0**	**222.6**	**7.6**	**3.5**	**57.3**	**13.3**	**12/31/82**
3,04	**29.9**	**129.6**	**20.0**	**15.4**	**121.0**	**16.5**	**12/31/82**
3.02	**36.4**	**8,214.5**	**581.1**	**7.1**	**3,057.0**	**19.0**	**12/31/82**
4.22	28.4	218.2	21.1	9.7	140.8	15.0	12/31/82
3.85	41.6	1,622.1	107.8	6.6	804.8	13.4	12/31/82
1.62[3]	69.1	643.9	64.4[3]	10.0	336.5	19.1	12/31/82
2.36[3]	34.2	2,965.8	170.0[3]	5.7	1,185.5	14.3	12/31/82
3.01	32.8	3,738.4	214.3	5.7	1,146.0	18.7	4/27/83
2.33	**42.9**	**595.6**	**57.2**	**9.6**	**318.5**	**15.8**	**12/31/82**
1.27	**56.7**	**226.4**	**15.3**	**6.8**	**130.7**	**11.7**	**12/31/82**
5.21	**38.4**	**3,382.8**	**190.6**	**5.7**	**1,105.6**	**17.3**	**12/31/82**
3.77	**32.9**	**373.2**	**128.1**	**34.3**	**817.5**	**15.7**	**12/31/82**
2.25	**40.0**	**391.5**	**28.6**	**7.3**	**106.1**	**27.0**	**6/30/83**
4.98	13.7	314.3	18.7	5.9	135.6	13.8	12/31/82
2.01	46.3	320.4	55.3	17.3	218.8	25.3	12/31/82
2.07	81.6	364.9	24.0	6.6	165.2	14.5	12/31/82
1.73	58.4	447.9	63.2	14.1	335.9	18.8	12/31/82
1.85	33.0	455.4	4.0	0.9	35.9	11.1	9/25/82
1.56	**53.8**	**4,935.6**	**113.2**	**2.3**	**1,694.5**	**6.7**	**12/31/82**
3.76	**21.8**	**885.1**	**95.2**	**10.8**	**467.6**	**20.4**	**4/30/83**
2.73	**37.4**	**3,261.6**	**142.1**	**4.4**	**704.9**	**20.2**	**12/31/82**
1.05	**38.1**	**143.7**	**4.4**	**3.1**	**36.7**	**12.0**	**12/31/82**
4.80	**49.2**	**801.0**	**55.7**	**7.0**	**503.6**	**11.1**	**12/31/82**
8.06	67.0	65,093.0	6,992.0	10.7	63,764.4[5]	11.0	12/31/82
1.97	28.7	643.8	44.2	6.9	223.4	19.8	8/31/82
5.22	7.1	3,491.0	383.6	11.0	2,313.7	16.6	12/31/82
2.10	68.6	577.3	20.6	3.6	195.2	10.6	12/31/82
1.19	39.9	357.7	16.1	4.5	132.6	12.1	6/30/83
5.26	**47.1**	**396.3**	**21.0**	**5.3**	**244.3**	**8.6**	**12/31/82**
2.81	**37.0**	**603.4**	**34.8**	**5.8**	**322.2**	**10.8**	**12/31/82**
2.22	**35.1**	**110.6**	**11.6**	**10.5**	**93.3**	**12.4**	**4/2/83**
1.62	**36.2**	**361.5**	**12.8**	**3.5**	**98.4**	**13.0**	**6/30/83**
1.78	**35.1**	**376.0**	**27.5**	**7.3**	**171.7**	**16.0**	**12/31/82**

TOP CORPORATE PERFORMERS

Rank	Company	Where Traded	Current Indicated Dividend	1973 Dividend	Ten-Year Dividend Growth Rate[6]	Recent Stock Price	Current Yield
141	McGraw-Hill, Inc.	NYSE	$1.08	$ .24	16.2%	$47⅝	2.3%
142	Pioneer-Standard Electronics, Inc.	OTC	.20	.044	16.2	21¼	0.9
143	Republic Automotive Parts, Inc.	OTC	.44	.098	16.2	11	4.0
144	Combined International Corp.	NYSE	2.00	.45	16.1	37⅝	5.3
145	Dayton-Hudson Corp.	NYSE	.60	.135	16.1	36½	1.6
146	**Ball Corp.**	NYSE	1.16	.25	16.0	34⅛	3.4
147	**Grainger (W.W.) Inc.**	NYSE	1.20	.27	16.0	58⅝	2.1
148	**Tull (J. M.) Industries, Inc.**	OTC	.48	.104	16.0	12¼	3.9
149	**Brunswick Corp.**	NYSE	.60	.12	15.9	50	1.2
150	**Flickinger (S. M.) Co., Inc.**	OTC	.66	.143	15.9	26¼	2.5
151	Genuine Parts Co.	NYSE	1.38	.31	15.9	45⅛	3.1
152	Papercraft Corp.	NYSE	.76	.1636	15.9	16¼	4.7
153	Diebold, Inc.	NYSE	1.00	.23	15.8	89¼	1.1
154	Legett & Platt, Inc.	NYSE	.40	.0866	15.8	22⅛	1.8
155	Lawter International, Inc.	NYSE	.72	.169	15.6[7]	20¼	3.6
156	**Pepsico, Inc.**	NYSE	1.62	.38	15.6	35	4.6
157	**Universal Leaf Tobacco Co., Inc.**	NYSE	1.76	.413	15.4	40¾	4.3
158	**Standard Brands Paint Co.**	NYSE	.50	.117	15.3	24⅛	2.1
159	**Toronto Dominion Bank**	OTC	.72	.167	15.3	17⅝	4.1
160	**Van Dorn Co.**	NYSE	1.20	.275	15.3	22	5.5
161	Toledo Trustcorp, Inc.	OTC	1.80	.428	15.2	37¼	4.8
162	Corroon & Black Corp.	NYSE	1.80	.44	15.1	24	7.5
163	Figgie International Holding, Inc.	OTC	.68	.17	14.9[7]	23¼	2.9
164	Foster Wheeler Corp.	NYSE	.44	.11	14.9[7]	16⅝	2.7
165	Quaker Chemical Corp.	OTC	.62	.155	14.9	31¼	2.0
166	**SFN Companies, Inc.**	NYSE	1.24	.30	14.9	39½	3.1
167	**Yellow Freight System, Inc.**	OTC	.92	.22	14.9	44⅝	2.1
168	**Anderson, Greenwood & Co.**	NYSE	.19	.045	14.7	12⅛	1.6
169	**Depositors Corp.**	ASE	1.90	.48	14.7	30	6.3
170	**American Building Maintenance Inds.**	NYSE	.74	.19	14.6	23½	3.1
171	American Controlled Industries	ASE	.80	.23	14.6	36½	2.2
172	Rainier Bancorporation	OTC	1.60	.41	14.6	35	4.6
173	Echlin Inc.	NYSE	.64	.16	14.5	23⅜	2.7
174	Hillenbrand Industries, Inc.	NYSE	.88	.2275	14.5	46¾	1.9
175	Media General Inc.	ASE	1.04	.268	14.5	55¾	1.9
176	**Connecticut Natural Gas Corp.**	NYSE	2.40	.60	14.4	33¾	7.1
177	**American Home Products Corp.**	NYSE	2.40	.63	14.3	50¾	4.7
178	**General Mills, Inc.**	NYSE	2.04	.51	14.3	51½	4.0
179	**Sonat, Inc.**	NYSE	1.55	.375	14.3	39¼	3.9
180	**Weis Market, Inc.**	NYSE	.56	.147	14.3	33¾	1.7
181	Nevada Power Co.	NYSE	2.72	.713	14.2	27⅜	9.9
182	Interfirst Corp.	NYSE	1.20	.32	14.1	18¼	6.6
183	Marsh & McLennan Companies, Inc.	NYSE	2.20	.59	14.1	45	4.9
184	Stepan Chemical Co.	ASE	.56	.15	14.1[7]	16¼	3.5
185	Washington R. E. Investment Trust	ASE	1.28	.333	14.0	18⅛	7.1
186	**Dun & Bradstreet Corporation (The)**	NYSE	1.60	.42	13.9	60⅝	2.7
187	**Kidde Inc.**	NYSE	1.10	.30	13.9[7]	27¼	4.0
188	**Thomas & Betts Corp.**	NYSE	2.20	.58	13.9	65	3.4
189	**Carpenter Technology Corp.**	NYSE	2.10	.575	13.8[7]	48	4.4
190	**Dr Pepper Co.**	NYSE	.84	.23	13.8	16⅛	5.2
191	Hartford Steam Boiler Inspec. & Ins. Co.	OTC	3.00	.8085	13.8	54	5.6
192	Ralston Purina Co.	NYSE	.84	.23	13.8	26¾	3.1
193	Security Bancorp, Inc.	OTC	1.12	.296	13.8	18¼	6.1
194	Turner Construction Co.	ASE	2.00	.55	13.8	38⅜	5.2
195	Union Camp Corp.	NYSE	3.00	.83	13.7[7]	71½	4.2
196	**Vermont American Corp.**	ASE	.36	.098	13.7	20	1.8
197	**American Heritage Life Investment Corp.**	NYSE	.96	.257	13.6	24⅛	4.0
198	**Ametek, Inc.**	NYSE	.80	.195	13.6	23	3.5
199	**Northwestern National Life Insurance Co.**	OTC	1.50	.4175	13.6	37	4.1
200	**Wesco Financial Corp.**	ASE	.54	.151	13.6	19⅝	2.8
201	First Kentucky National Corp.	OTC	1.30	.34	13.5	28¼	4.6
202	First Ohio Bancshares, Inc.	OTC	1.60	.442	13.5	30½	5.2
203	Texas Commerce Bancshares, Inc.	NYSE	1.28	.36	13.5	39⅞	3.2
204	Bristol-Myers Co.	NYSE	1.20	.33	13.4	46½	2.6
205	Jefferson-Pilot Corp.	NYSE	1.76	.50	13.3	36⅝	4.8
206	**Lilly (Eli) & Co.**	NYSE	2.90	.79	13.3	63¾	4.5
207	**Willamette Industries, Inc.**	OTC	1.50	.43	13.3[7]	37¼	4.0
208	**Acme United Corp.**	ASE	.32	.09	13.2	14⅝	2.2
209	**Kimberly Clark Corp.**	NYSE	4.20	1.20	13.2	96¾	4.3
210	**Donnelley (R. R.) & Sons Co.**	NYSE	.84	.24	13.1	45	1.9

Latest Earnings Per Share	1982 Payout	Annual Sales (millions)	Net Income (millions)	Return on Sales	Stockholders' Equity (millions)	Return on Equity	Fiscal Year
$ 2.20	42.7%	$1,193.6	$110.0	9.2%	$ 541.6	20.3%	12/31/82
.41	24.4	114.2	1.1	1.0	25.5	4.3	3/31/83
.72	56.9	99.7	2.0	2.0	30.9	6.5	12/31/82
2.96	62.5	1,043.9	86.6	8.3	573.8	15.1	12/31/82
2.06	27.3	5,660.7	198.4	3.5	1,348.8	15.3	1/29/83
3.16	30.7	889.1	34.5	3.9	232.6	14.8	12/31/82
3.50	32.6	803.2	50.1	6.2	374.6	13.4	12/31/82
1.12	40.2	141.5	5.1	3.6	49.8	10.2	12/31/82
d1.38[3]	—	1,068.2	d19.8[3]	—	408.2	—	12/31/82
2.31	24.2	1,337.5	10.2	0.8	68.0	15.0	7/31/82
2.77	45.5	1,936.5	100.2	5.2	581.9	17.2	12/31/82
1.52	39.0	185.1	16.3	8.8	102.3	15.9	12/31/82
4.80	16.7	427.6	41.5	9.7	195.0	21.3	12/31/82
1.27	26.8	275.0	9.1	3.3	64.6	14.1	12/31/82
.70	102.9	80.0	8.0	10.0	54.1	14.8	12/31/82
2.40	65.8	7,499.0	224.3	3.0	1,650.5	13.6	12/25/82
4.21	41.1	1,083.5	36.6	3.4	215.4	17.0	6/30/83
1.37	32.3	250.7	14.8	5.9	124.0	11.9	9/30/82
2.517	25.8	6,339.9	307.5	4.9	1,531.7	23.2	10/31/82
1.28	87.5	184.3	3.6	2.0	55.2	6.5	12/31/82
3.74	44.6	143.7	14.4	10.0	165.4	11.3	12/31/82
2.09	84.7	172.1	16.7	9.7	102.4	16.3	12/31/82
4.18	16.3	708.3	26.1	3.7	189.1	13.8	12/31/82
1.67	26.4	1,614.9	57.2	3.5	356.6	16.0	12/31/82
1.22	45.9	92.5	4.2	4.6	44.4	9.5	12/31/82
2.51	44.6	275.6	26.5	9.6	183.1	14.5	4/30/83
.75	112.0	936.0	10.7	1.1	212.6	5.0	12/31/82
1.20	14.5	60.9	6.1	10.0	41.1	14.8	12/26/82
3.79	30.6	74.7	6.4	9.0	44.0	15.2	12/31/82
2.08	32.1	303.7	6.9	2.3	51.9	13.3	10/31/82
4.32	17.4	23.6	3.9	16.6	21.1	18.5	12/31/82
4.12	36.4	670.7	39.2	5.8	359.6	10.9	12/31/82
1.30	42.3	490.6	26.5	5.4	211.9	12.5	12/31/82
3.09	25.9	388.6	30.9	8.0	191.7	16.1	11/27/82
4.60	21.7	429.4	32.5	7.6	216.0	15.0	12/31/82
2.49[1]	88.4	187.0	6.6[1]	3.5	47.2	14.0	12/31/82
3.59	59.9	4,582.1	560.1	12.2	1,843.6	30.4	12/31/82
4.89	35.6	5,550.8	245.1	4.4	1,227.4	20.0	5/30/83
5.05	23.8	2,737.7	204.6	7.5	1,135.3	18.0	12/31/82
2.10	24.3	812.2	43.2	5.3	245.2	17.6	12/25/82
4.10	63.2	286.5	38.6	15.1	237.6	16.3	12/31/82
4.09	28.9	2,287.0	222.9	9.8	1,115.0	20.0	12/31/82
3.36	62.5	924.3	120.4	13.0	457.3	26.3	12/31/82
1.45	38.6	208.4	5.3	2.5	55.1	9.6	12/31/82
1.02	103.9	14.7	4.9	33.3	26.9	18.2	12/31/82
2.53	52.6	1,461.6	142.1	9.7	504.2	28.2	12/31/82
4.02	27.4	2,655.3	84.2	3.2	782.0	10.8	12/31/82
3.04	68.1	255.2	114.9	45.0	183.7	62.5	12/31/82
1.86	112.9	397.5	16.0	4.0	289.0	5.5	6/30/83
.58	141.4	516.3	12.5	2.4	153.6	8.1	12/31/82
4.48	62.5	213.0	16.1	7.6	117.4	13.7	12/31/82
.87[3]	89.7	4,802.6	91.4[3]	19.0	1,101.1	8.3	9/30/82
2.33	45.8	109.3	8.2	7.5	63.1	13.0	12/31/82
5.43	33.1	2,235.9	10.7	0.5	41.9	25.5	12/31/82
5.10	58.8	1,526.0	124.0	8.1	1,139.1	10.9	12/31/82
.92	35.6	181.9	6.6	3.6	84.5	7.8	12/31/82
2.25	35.6	159.2	7.2	4.5	63.6	11.3	12/31/82
1.25	48.0	423.7	27.2	6.4	159.1	17.1	12/31/82
1.56	93.9	767.4	5.5	0.7	182.7	3.0	12/31/82
1.62	30.9	77.3	11.5	14.9	117.4	9.8	12/31/82
4.44	36.3	286.5	26.4	9.2	184.1	14.3	12/31/82
4.05	34.6	62.3	8.3	13.3	54.2	15.3	12/31/82
5.35	20.6	1,715.0	170.0	9.9	872.0	19.5	12/31/82
2.59	39.4	3,599.9	348.7	9.7	1,714.8	20.3	12/31/82
4.02	40.8	923.2	86.2	9.3	920.1	9.4	12/31/32
5.42	49.4	2,962.7	411.8	13.9	2,055.5	20.0	12/31/82
.35[1]	428.6	928.7	5.3[1]	0.6	400.4	1.3	12/31/82
.80	36.6	39.8	2.6	6.6	18.5	14.1	12/31/82
8.83	44.2	2,946.1	197.4	6.7	1,415.5	14.0	12/31/82
2.40	29.6	1,404.2	91.2	6.5	625.0	14.6	12/31/82

TOP CORPORATE PERFORMERS

Rank	Company	Where Traded	Current Indicated Dividend	1973 Dividend	Ten-Year Dividend Growth Rate[6]	Recent Stock Price	Current Yield
211	Home Beneficial Corp.	OTC	$1.44	$ .415	13.1%	$40½	3.6%
212	Internorth, Inc.	NYSE	2.32	.65	13.1	40⅝	5.7
213	Fuller (H. B.) Co.	OTC	.56	.162	13.0	38½	1.5
214	Michigan National Corp.	OTC	1.20	.355	13.0	17	7.1
215	United Aircraft Products, Inc.	ASE	.52	.157	12.8	16⅝	3.1
216	**Pfizer Inc.**	**NYSE**	**1.16**	**.35**	**12.7**	**42**	**2.8**
217	**Becton, Dickinson & Co.**	**NYSE**	**1.15**	**.35**	**12.6**	**41¾**	**2.8**
218	**Chesebrough-Ponds Inc.**	**NYSE**	**1.84**	**.56**	**12.6**	**41¼**	**4.5**
219	**Emerson Electric Co.**	**NYSE**	**2.10**	**.64**	**12.6**	**63⅛**	**3.3**
220	**Longs Drug Stores, Inc.**	**NYSE**	**1.12**	**.33**	**12.6**	**45¼**	**2.5**
221	Banc One Corp.	OTC	.96	.276	12.5	57¾	1.7
222	Bard (C. R.), Inc.	NYSE	.40	.12	12.5	41⅜	1.0
223	Consolidated Freightways, Inc.	NYSE	1.80	.54	12.5	57⅜	3.1
224	Harris Corp.	NYSE	.88	.27	12.5[7]	38	2.3
225	Bank of Nova Scotia (Toronto, Canada)	OTC	2.00	.605	12.2	44½	4.5
226	**Hammermill Paper Co.**	**NYSE**	**1.84**	**.58**	**12.2[7]**	**42⅛**	**4.4**
227	**Conwood Corp.**	**NYSE**	**.80**	**.24**	**12.1**	**23¾**	**3.4**
228	**Great Northern Nekoosa Corp.**	**NYSE**	**2.00**	**.64**	**12.1[7]**	**53⅜**	**3.8**
229	**Illinois Tool Works, Inc.**	**NYSE**	**1.16**	**.37**	**12.1**	**50⅛**	**2.3**
230	**Minnesota Mining & Manufacturing Co.**	**NYSE**	**3.30**	**1.05**	**12.1**	**86⅛**	**3.8**
231	Oshkosh B'Gosh, Inc.	OTC	3.60	.80	12.1	145	2.5
232	USLIFE Corp.	NYSE	.88	.28	12.1	27	3.3
233	Morrison Inc.	OTC	.40	.121	12.0	20¼	2.0
234	Paxton (Frank) Co.	OTC	.41	.13	12.0	13¾	3.0
235	Puget Sound Bancorp.	OTC	1.00	.31	11.9	22¼	4.5
236	**U.S. Leasing International, Inc.**	**NYSE**	**.68**	**.22**	**11.9**	**36⅞**	**1.8**
237	**Florida Power & Light Co.**	**NYSE**	**3.60**	**1.16**	**11.8**	**40**	**9.0**
238	**Southtrust Corp.**	**OTC**	**.80**	**.258**	**11.7**	**23⅝**	**3.4**
239	**Stauffer Chemical Co.**	**NYSE**	**1.44**	**.475**	**11.7**	**29¼**	**4.9**
240	**American Brands, Inc.**	**NYSE**	**3.60**	**1.19**	**11.5**	**55½**	**6.5**
241	Coca-Cola Co. (The)	NYSE	2.68	.90	11.5	54	5.0
242	Ti-Caro Inc.	NYSE	.80	.273	11.4	17⅝	4.5
243	Kellogg Co.	NYSE	1.60	.55	11.3	30	5.3
244	Robertson (H. H.) Co.,	NYSE	1.60	.55	11.3[7]	39½	4.1
245	Gorman-Rupp Co.	ASE	1.08	.375	11.2	23	4.7
246	**Harvey Hubbell, Inc.**	**ASE**	**1.24**	**.41625**	**11.2**	**31⅛[2]**	**4.0**
247	**Witco Chemical Corp.**	**NYSE**	**1.32**	**.436**	**11.2**	**33¼**	**4.0**
248	**Arizona Bancwest Corp.**	**OTC**	**.80**	**.28**	**11.1**	**17¾**	**4.5**
249	**Holiday Inns, Inc.**	**NYSE**	**.84**	**.29**	**11.1**	**52¾**	**1.6**
250	**Moore Financial Group, Inc.**	**OTC**	**1.20**	**.418**	**11.1**	**23⅛**	**5.2**
251	Procter & Gamble Co.	NYSE	2.40	.84	11.1	59½	4.0
252	Robins (A. H.) Co., Inc.	NYSE	.68	.217	11.1	28¼	2.4
253	Wetterau Inc.	OTC	.80	.28	11.1[7]	20	4.0
254	Louisiana General Services, Inc.	NYSE	.49	.173	11.0	11¾	4.2
255	Pay Less Drug Stores Northwest	NYSE	.27	.086	11.0	16½	1.6
256	**Sealed Power Corp.**	**NYSE**	**.80**	**.268**	**11.0**	**29¼**	**2.7**
257	**Ex-Cell-O Corp.**	**NYSE**	**1.60**	**.57**	**10.9**	**41⅛**	**3.9**
258	**McKesson Corp.**	**NYSE**	**2.40**	**.85**	**10.9**	**39**	**6.2**
259	**Quaker Oates Co.**	**NYSE**	**2.20**	**.73**	**10.9**	**56¾**	**3.9**
260	**First Wyoming Bancorp.**	**ASE**	**.80**	**.287**	**10.8**	**15**	**5.3**
261	Oneok, Inc.	NYSE	2.40	.867	10.7	30¼	7.9
262	International Multifoods Corp.	NYSE	1.76	.63	10.5	31⅞	5.5
263	Transamerica Corp.	NYSE	1.56	.56	10.5	29⅜	5.3
264	Tucson Electric Power Co.	NYSE	2.20	.81	10.5	34¼	6.4
265	Upjohn Co.	NYSE	2.28	.84	10.5	61¼	3.7
266	**American Filtrona Corp.**	**OTC**	**1.16**	**.416**	**10.4**	**18¾**	**6.2**
267	**Winn-Dixie Stores, Inc.**	**NYSE**	**1.56**	**.558**	**10.4**	**51½**	**3.0**
268	**Norton Co.**	**NYSE**	**2.00**	**.75**	**10.3[7]**	**44¾**	**4.5**
269	**Overnight Transportation Co.**	**NYSE**	**.48**	**.1725**	**10.3**	**32⅞**	**1.5**
270	**United Bancorp of Arizona**	**OTC**	**1.00**	**.368**	**10.3**	**30**	**3.3**
271	Brockway, Inc.	NYSE	1.32	.50	10.2	17⅞	7.4
272	MEM Co., Inc.	ASE	1.12	.413	10.2	22¾	4.9
273	Citicorp	NYSE	1.88	.705	10.1	34	5.5
274	PNC Financial Corp.	OTC	2.12	.75	10.1	43⅜	4.9
275	Texas Eastern Corp.	NYSE	4.10	1.58	10.0	62⅞	6.5
276	**Chubb Corp.**	**OTC**	**3.12**	**1.175**	**9.9**	**65¾**	**4.7**
277	**Society Corp.**	**OTC**	**1.60**	**.62**	**9.9**	**29**	**5.5**
278	**Beatrice Foods Co.**	**NYSE**	**1.60**	**.62**	**9.8**	**30**	**5.3**
279	**First Alabama Bancshares, Inc.**	**OTC**	**1.80**	**.693**	**9.8**	**36¾**	**4.9**
280	**Fifth Third Bancorp**	**OTC**	**1.80**	**.7125**	**9.7**	**53¼**	**3.4**

Latest Earnings Per Share	1982 Payout	Annual Sales (millions)	Net Income (millions)	Return on Sales	Stockholders' Equity (millions)	Return on Equity	Fiscal Year
$ 5.11	25.6%	$ 156.0	$ 31.7	20.3%	$ 258.1	12.3%	12/31/82
4.06[3]	52.2	4,159.0	179.3[3]	4.4	1,361.8[5]	13.2	12/31/82
2.06	24.8	331.8	9.5	2.9	81.6	11.6	11/30/82
.23	496.9	727.2	3.3	0.5	335.7	1.0	12/31/82
1.52	31.6	26.7	3.0	11.2	15.1	19.9	11/30/82
2.13	43.2	3,453.6	332.8	9.6	1,973.7	16.9	12/31/82
3.63	30.3	1,113.9	76.7	6.9	584.4	13.1	9/30/82
3.56	48.3	1,623.2	125.3	7.7	625.1	20.0	12/31/82
4.37	46.5	3,502.3	300.1	8.6	1,558.8	19.2	9/30/82
2.92	33.6	1,123.2	30.9	2.8	198.8	15.5	1/27/83
2.40	32.6	194.4	57.5	29.6	328.0	17.6	12/31/82
1.84	19.0	366.0	27.2	7.4	168.3	16.2	12/31/82
4.08	38.7	1,203.8	54.8	4.6	498.5	11.0	12/31/82
1.60	55.0	1,423.7	50.3	3.5	635.6	7.9	6/30/83
5.86	31.1	7,179.1	272.6	3.8	1,546.7	17.6	10/31/82
3.07[1]	59.9	1,396.0	30.3[1]	2.2	410.0	7.4	12/31/82
1.82	35.7	183.5	20.3	11.1	21.0	97.0	12/31/82
4.82	41.5	1,429.7	78.5	5.5	805.4	9.8	12/31/82
3.26	33.7	447.0	40.1	9.0	301.5	13.3	12/31/92
5.37	59.6	6,601.0	631.0	9.6	3,548.0	17.8	12/31/82
14.55	22.0	61.0	5.3	8.7	19.6	27.0	12/31/82
3.71[3]	22.9	899.7	83.4[3]	9.3	714.0	11.7	12/31/82
1.34	24.9	421.5	18.7	4.4	116.3	16.1	5/28/83
1.13	33.2	84.6	2.8	3.3	30.7	9.1	3/31/83
2.57	30.9	102.8	11.1	10.8	68.0	16.3	12/31/82
3.85	16.1	267.1	23.8	8.9	178.0	13.4	12/31/82
4.77	68.8	2,540.8	263.7	10.2	1,896.1[5]	13.9	12/31/82
2.09	33.8	252.3	22.9	9.1	147.5	15.5	12/31/82
2.81	50.2	1,618.2	123.5	7.6	1,084.7	11.4	12/31/82
6.55	53.4	6,505.0	381.2	5.9	1,924.9	19.8	12/31/82
3.95	62.8	6,249.7	512.2	8.2	2,778.7	18.4	12/31/82
1.68	71.4	261.8	13.9	5.3	120.2	11.6	10/2/82
2.98	51.3	2,367.1	227.8	9.6	884.7	25.7	12/31/82
5.57	28.7	630.0	28.3	4.5	151.8	18.6	12/31/82
1.64	63.4	58.3	4.3	7.4	36.3	11.8	12/31/82
2.85	39.3	418.9	35.1	8.4	198.5	17.7	12/31/82
2.10	57.1	1,305.4	29.8	2.3	298.8	10.0	12/31/82
3.97	19.4	255.5	18.1	7.1	129.3	14.0	12/31/82
2.50	31.6	1,425.3	97.2	6.8	943.5	10.3	12/31/82
3.63	30.6	255.9	22.3	8.7	162.1	13.8	12/31/82
5.22	46.0	12,452.0	866.0	7.0	4,601.0	18.8	6/30/83
1.98	26.3	482.3	48.7	10.1	321.1	15.2	12/31/82
1.91	41.9	2,265.0	15.4	0.7	146.7	10.5	4/2/83
1.04	39.1	236.4	5.3	2.2	48.6	10.9	9/30/82
1.07	19.2	784.7	19.4	2.5	107.1	18.1	1/31/83
1.88	38.3	366.0	22.8	6.2	188.0	12.1	12/31/82
3.25	47.4	1,027.1	48.2	4.7	415.9	11.6	11/30/82
3.44[3]	67.4	4,081.5	63.2[3]	1.5	481.5	13.1	3/31/83
5.83[3]	35.2	2,611.3	119.3[3]	4.6	680.7	17.5	6/30/83
1.52	52.6	30.1	5.1	16.9	53.7	9.5	12/31/82
4.88	48.2	1,119.0	55.7	5.0	337.8	16.5	8/31/82
4.32	35.6	1,118.2	35.5	3.2	216.8	16.4	2/28/83
2.95	48.3	4,32[illegible].3	186.2	4.3	1,682.2	11.1	12/31/82
3.01[1,3]	63.8	343.8	66.9[1,3]	21.6	555.1[5]	12.1	12/31/82
4.18	54.5	1,828.7	126.0	6.9	973.0	12.9	12/31/82
1.71	64.3	90.3	4.0	4.4	43.3	9.2	12/31/82
2.72	50.4	7,018.6	113.5	1.6	582.8	19.5	6/30/83
1.13	177.0	1,284.0	19.3	1.5	543.7	3.6	12/31/82
1.36	29.4	288.4	18.4	6.4	130.6	14.1	12/31/82
3.23	27.7	112.9	9.7	8.6	60.2	16.1	12/31/82
2.05	61.5	814.8	15.4	1.9	221.8	6.9	12/31/82
1.81	59.7	61.4	2.9	60.2	39.0	7.4	12/31/82
5.78	29.1	16,173.0	747.0	4.6	4,855.0	15.4	12/31/82
5.63	31.4	1,307.0	115.7	8.9	686.7	16.8	12/31/82
6.28	62.9	5,654.4	161.3	2.9	1,708.8	9.4	12/31/82
5.94	49.2	1,508.6	74.2	4.9	725.8	10.2	12/31/82
4.17	36.5	434.2	26.8	6.2	246.1	10.9	12/31/82
3.06	48.2	9,188.2	320.8	3.5	2,214.8	14.5	2/28/83
4.32	38.0	310.2	33.3	10.8	253.3	13.2	12/31/82
5.66	28.3	169.1	26.6	15.7	161.0	16.5	12/31/82

TOP CORPORATE PERFORMERS

Rank	Company	Where Traded	Current Indicated Dividend	1973 Dividend	Ten-Year Dividend Growth Rate*	Recent Stock Price	Current Yield
281	Stanley Works	NYSE	$ .76	$ .30	9.7%[7]	$ 24	3.2%
282	First National Cincinnati Corp.	OTC	2.60	1.04	9.6	43½	6.0
283	Martin Marietta Corp.	NYSE	1.34	.517	9.6	62⅛	2.2
284	CPC International Inc.	NYSE	2.20	.89	9.4	39⅝	5.6
285	Houston Industries Inc.	NYSE	2.32	.93	9.4	23⅛	10.0
286	Mississippi Valley Gas Co.	OTC	1.80	.71	9.4	23½	7.7
287	Public Service Co. of New Mexico	NYSE	2.80	1.14	9.4	28¾	9.7
288	TRW Inc.	NYSE	2.60	1.06	9.4	76¼	3.4
289	Federal Realty Investment Trust	ASE	1.24	.46	9.3	17⅜	7.1
290	Hormel (Geo. A.) & Co.	ASE	1.00	.41	9.3	28	3.6
291	Jaclyn, Inc.	ASE	.50	.172	9.3	10	5.0
292	Moore Products Co.	OTC	.88	.36	9.3	25¼	3.5
293	Banco De Ponce (Ponce, Puerto Rico)	OTC	1.80	.747	9.2	30½	5.9
294	BankAmerica Corp. (Del.)	NYSE	1.52	.63	9.2[7]	20⅛	7.6
295	Colgate-Palmolive Co.	NYSE	1.28	.521	9.2	24⅞	5.1
296	ARA Services, Inc.	NYSE	2.05	.85	9.1	51½	4.0
297	Ameritrust Corp.	OTC	2.88	1.22	9.0	44	6.5
298	Montana-Dakota Utilities Co.	NYSE	2.44	.978	8.9	29¾	8.2
299	First Bancshares Corp. of South Carolina	OTC	1.68	.6982	8.8	46	3.7
300	Jewel Cos.	NYSE	2.60	1.11	8.8	50½	5.1
301	Norwest Corp.	NYSE	1.80	.775	8.8	37⅜	4.8
302	San Jose Water Co.	ASE	2.40	1.03	8.8	32¾	7.3
303	Teco Energy, Inc.	NYSE	2.04	.86	8.8	25⅛	8.1
304	U.S. Bancorp (Portland, Ore.)	OTC	1.00	.4308	8.8	25½	3.9
305	California Water Service Co.	OTC	4.50	1.96	8.7	47	9.6
306	PPG INDs., Inc.	NYSE	1.28	.533	8.7	36⅜	3.5
307	Reynolds (R. J.) Inds., Inc.	NYSE	3.00	1.32	8.6	62	4.8
308	Texas Industries	NYSE	.80	.3446	8.6	37	2.2
309	Centel Corp.	NYSE	2.26	1.00	8.5	39¼	5.8
310	National Service Industries, Inc.	NYSE	1.20	.53	8.5	40	3.0
311	Southern Indiana Gas & Electric Co.	NYSE	2.28	1.01	8.5	28	8.1
312	Block Drug Co., Inc.	OTC	1.00	.433	8.4	27⅞	3.6
313	Bell Canada Enterprises	NYSE	2.08	.933	8.3	24⅜	8.5
314	Grow Groups, Inc.	NYSE	.40	.165	8.3	15¾	2.5
315	Harris Bankcorp, Inc.	NYSE	2.32	1.04	8.1	71¾	3.2
316	Marine Corp. (Milwaukee)	OTC	2.40	1.029	8.1	46½	5.2
317	Marshall & Ilsley Corp.	OTC	2.00	.90	8.1	47½	4.2
318	Monsanto Co.	NYSE	4.20	1.90	8.1	115½	3.6
319	Parker-Hannifin Corp.	NYSE	1.04	.4667	8.1	29⅜	3.5
320	ITT Corp.	NYSE	2.76	1.28	8.0	43	6.4
321	Florida Progress Corp.	NYSE	1.92	.90	7.9	21¼	9.0
322	Southwestern Public Service Co.	NYSE	1.62	.76	7.9	19⅜	8.4
323	Utah Power & Light Co.	NYSE	2.28	1.0685	7.9	23⅝	9.7
324	Prentice-Hall, Inc.	ASE	1.76	.83	7.8	52⅛	3.4
325	Continental Bancorp. Inc.	OTC	2.04	.94	7.7	27½	7.4
326	Texas Utilities Co.	NYSE	2.20	1.03	7.7	26⅛	8.4
327	First Bank System, Inc.	OTC	2.80	1.348	7.6	56	5.0
328	Huntington Bancshares, Inc.	OTC	1.48	.664	7.6	28	5.3
329	Missouri Public Service Co.	NYSE	1.20	.554	7.6	15⅞	7.6
330	Monarch Capital Corp.	OTC	1.40	.66	7.6	30⅜	4.6
331	Southern Union Co.	NYSE	1.64	.76	7.6	22½	7.3
332	Stanadyne, Inc.	OTC	1.80	.835	7.6	38½	4.7
333	Baybanks, Inc.	OTC	2.00	.945	7.5	36⅞	5.4
334	FMC Corp.	NYSE	1.80	.87	7.5	46½	3.9
335	Banks of Iowa, Inc.	OTC	1.52	.7438	7.4	49	3.1
336	Citizens Utilities Co.	OTC	1.64	.80	7.4	26¼[2]	6.3
337	Federated Department Stores, Inc.	NYSE	2.20	1.07	7.4	58½	3.8
338	Wometco Enterprises, Inc.	NYSE	.44	.216	7.4	42⅝	1.0
339	Charter Corp.	OTC	1.96	.95	7.3	42¼	4.6
340	Maryland National Corp.	OTC	1.36	.65	7.3	30	4.5
341	Meridian Bancorp Inc.	OTC	2.20	.532	7.3[9]	32¼	6.8
342	Tampax, Inc.	OTC	2.80	1.39	7.3	55⅛	5.1
343	Purolator, Inc.	NYSE	1.16	.5733	7.2	66	1.8
344	Borden, Inc.	NYSE	2.44	1.20	7.1	59⅝	4.1
345	Elder Beerman Stores Corp.	OTC	.22	.106	7.1	10¼	2.1
346	First Capital Corp. (Jackson, Miss.)	OTC	2.30	1.156	7.1[7]	39	5.9
347	Rochester Gas & Electric Corp.	NYSE	1.84	.928	7.1	17⅝	10.4
348	Tenneco Inc.	NYSE	2.80	1.38	7.1	41¼	6.8
349	Consolidated Natural Gas Co.	NYSE	2.00	1.015	7.0	33¾	5.9
350	Labatt (John) Limited	OTC	.90	.415	7.0	22¼	4.0

Latest Earnings Per Share	1982 Payout	Annual Sales (millions)	Net Income (millions)	Return on Sales	Stockholders' Equity (millions)	Return on Equity	Fiscal Year
$1.40	54.3%	$ 962.8	$ 37.5	3.9%	$ 289.9	12.9%	12/31/82
5.40	44.4	221.4	24.8	11.2	189.7	13.1	12/31/82
1.95	65.6	3,526.5	91.6	2.6	436.6	28.4	12/31/82
4.80	42.8	4,091.5	231.6	5.7	1,305.7	17.8	12/31/82
1.62	133.3	3,838.3	126.2	3.3	1,827.0[5]	6.9	12/31/82
2.50	68.0	218.4	3.7	1.7	35.3	10.5	9/30/82
3.22	86.0	426.5	91.8	27.2	780.6[5]	11.8	12/31/82
5.49	45.5	5,131.9	196.3	3.8	1,519.4	12.9	12/31/82
.82	124.4	15.2	3.4	22.4	36.4	9.3	12/31/82
2.92	32.9	1,426.6	28.1	2.0	245.6	11.4	10/30/82
1.11	34.0	38.3	1.9	5.0	14.6[6]	11.6[6]	6/30/83
2.56	33.6	64.9	5.3	8.2	40.2	13.2	12/31/82
5.27	31.9	164.6	8.6	5.2	70.2	12.3	12/31/82
3.03	50.2	13,930.1	451.5	3.2	4,577.0	9.9	12/31/82
2.41	49.8	4,888.0	196.9	4.0	1,321.3	14.9	12/31/82
3.43	58.3	2,805.6	38.9	1.4	508.9	7.6	10/2/82
6.05	45.0	623.6	56.1	9.0	603.7	9.3	12/31/82
4.07	50.6	355.1	31.3	10.3	187.6[5]	16.7	12/31/82
5.42	26.8	56.5	13.1	23.2	89.7	14.6	12/31/82
6.82	35.5	5,571.7	88.1	1.6	673.3	13.1	1/29/83
4.02	42.0	1,824.8	89.1	4.9	1,037.6	8.6	12/31/82
4.00	55.0	42.3	5.3	13.2	45.3[5]	11.7	12/31/82
2.49	73.9	599.9	48.0	8.0	457.0[5]	10.5	12/31/82
2.92	33.9	211.9	52.1	24.6	435.8	12.0	12/31/82
5.57	73.6	71.5	7.8	10.9	65.2[5]	12.0	12/31/82
4.51	52.3	3,295.5	155.1	4.7	1,706.9	9.1	12/31/82
7.82	36.4	13,075.0	890.0	6.8	5,396.0	16.5	12/31/82
2.43	30.9	321.5	18.7	5.8	171.8	10.9	5/31/83
3.96	55.6	1,156.2	108.2	9.4	655.6[5]	16.5	12/31/82
3.07	36.2	884.9	50.6	5.7	298.2	17.0	8/31/82
3.42	60.8	225.6	18.6	9.3	142.5[5]	13.1	12/31/82
2.86	32.9	219.0	21.3	9.7	134.4	15.8	3/31/83
3.11	63.0	8,411.3	622.2	7.4	4,255.2[5]	14.6	12/31/82
.88	38.5	237.6	5.5	2.3	49.2	11.2	6/30/83
5.42	40.6	810.1	35.8	4.4	382.8	9.4	12/31/82
6.50	30.8	245.8	14.7	6.0	127.3	11.5	12/31/82
6.02	30.1	290.8	26.3	9.0	183.0	14.4	12/31/82
8.67[1]	45.6	6,325.8	347.0[1]	5.5	3,490.0	9.9	12/31/82
1.17	87.2	1,040.0	29.5	2.8	454.1	6.5	6/30/83
4.75	56.4	15,958.4	702.8	4.4	6,122.6	11.5	12/31/82
2.20	83.2	1,213.7	82.1	6.8	725.0[5]	11.3	12/31/82
2.02	74.8	588.9	67.3	5.9	390.0[5]	17.3	8/31/83
2.38	94.1	782.1	133.4	17.1	947.9[5]	14.1	12/31/82
3.66	45.6	409.7	36.3	8.9	195.4	18.6	12/31/82
4.88	37.9	253.2	25.8	10.2	153.9	16.8	12/31/82
3.85	51.9	3,238.0	428.6	13.2	2,810.2[5]	15.2	12/31/82
7.74	34.1	1,767.6	115.9	6.6	913.2	12.7	12/31/82
5.26	23.8	408.6	29.2	7.1	209.6	14.0	12/31/82
2.06	49.0	187.5	12.4	8.6	98.8[5]	12.6	12/31/82
2.92	46.2	251.7	24.9	9.9	275.9	9.0	12/31/82
1.96	79.6	1,089.6	24.3	2.2	203.8[5]	11.9	12/31/82
2.90	59.3	343.0	13.9	4.1	147.4	9.4	12/31/82
5.34	32.8	397.4	33.2	8.4	237.5	14.0	12/31/82
4.56	36.2	3,498.8	152.4	4.4	1,353.1	11.3	12/31/82
3.37	43.9	162.1	9.4	5.8	109.8	8.6	12/31/82
1.89	81.5	202.1	33.5	16.6	240.4	13.9	12/31/82
4.79	42.8	7,698.9	232.8	3.0	2,105.1	11.1	1/30/83
1.51	35.1	493.4	26.0	5.3	195.2	13.3	12/31/82
3.15	59.7	236.6	12.0	5.1	160.6	7.5	12/31/82
5.11	23.9	501.2	40.8	8.1	320.1	12.7	12/31/82
2.53	39.5	255.0	22.5	8.8	169.2	13.3	12/31/82
3.84	69.0	287.5	43.3	15.1	173.7	24.9	12/31/82
4.36	24.8	752.8	28.6	3.8	137.3	20.8	12/31/82
5.81	37.5	4,111.3	165.9	4.0	1,341.4	12.4	12/31/82
.69	26.1	262.5	1.8	0.7	37.3	4.8	1/30/83
3.82	60.2	155.7	7.2	4.6	95.8	7.5	12/31/82
2.81	62.2	681.9	59.5	10.3	463.7[5]	12.8	12/31/82
5.90[3]	44.6	14,979.0	840.0[3]	5.6	4,872.0	17.2	12/31/82
3.90	48.2	3,211.0	155.4	5.0	1,162.8[5]	13.4	12/31/82
2.01[6]	37.4	2,077.3[6]	53.9[6]	2.6[6]	—	—	4/30/83

TOP CORPORATE PERFORMERS

Rank	Company	Where Traded	Current Indicated Dividend	1973 Dividend	Ten-Year Dividend Growth Rate[6]	Recent Stock Price	Current Yield
351	Valley Bancorp. (Wisc.)	OTC	$ .88	$ .436	7.0%	$22	4.0%
352	Commerce Bancshares, Inc.	OTC	1.92	.972	6.9	40¼	4.8
353	Hawaiian Electric Industries	NYSE	3.12	1.56	6.9	32½	9.6
354	Manufacturers Hanover Corp.	NYSE	3.04	1.56	6.9	39⅜	7.7
355	Norstar Bancorp Inc.	NYSE	2.20	1.11	6.9	35⅝	6.2
356	Amsouth Bancorp.	NYSE	1.76	.914	6.8	33⅝	5.2
357	Nabisco Brands, Inc.	NYSE	2.28	1.15	6.8	41	5.6
358	Northeast Bancorp, Inc.	OTC	2.40	1.20	6.8	46¼	5.2
359	Penney (J. C.) Co., Inc.	NYSE	2.16	1.10	6.8	61¾	3.5
360	Warner-Lambert Co.	NYSE	1.48	.74	6.7	31	4.8
361	Dominion Bancshares Corp.	OTC	1.00	.527	6.6[7]	18¾	5.3
362	Gulf Oil Corp.	NYSE	3.00	1.50	6.6	47	6.4
363	Enserch Corp.	NYSE	1.20	.64	6.5[7]	23⅛	5.2
364	Haverty Furniture Companies, Inc.	OTC	.48	.243	6.5	20	2.4
365	Mid-Continent Telephone Corp.	NYSE	1.80	.915	6.5	24½	7.3
366	Grace (W. R.) & Co.	NYSE	2.80	1.50	6.4	46⅝	6.0
367	Wisconsin Electric Power Co.	NYSE	2.10	1.11	6.4	27⅜	7.7
368	Consumers Water Co. (The)	OTC	1.24	.64	6.3	12½	9.9
369	NBD Bancorp, Inc.	NYSE	2.20	1.18	6.3	40¼	5.5
370	Public Service Co. of North Carolina, Inc.	OTC	1.64	.86	6.3	16¼	10.1
371	Continental Telecom Inc.	NYSE	1.64	.89	6.2	24¾	6.6
372	Northwest Natural Gas Co.	OTC	1.36	.71	6.2	13⅛	10.4
373	Pargas, Inc.	NYSE	1.36	.745	6.2	36⅛	3.8
374	Wisconsin Public Service Corp.	NYSE	2.32	1.22	6.2	27¾	8.4
375	Atlanta Gas Light Co.	OTC	2.00	1.08	6.1	19¼	10.4
376	GTE Corp.	NYSE	3.00	1.63	6.1	45⅞	6.5
377	National Fuel Gas Co.	NYSE	3.44	1.825	6.1	37	9.3
378	Public Service Co. of Indiana	NYSE	2.88	1.553	6.1	26¼	11.0
379	Maine Public Service Co.	ASE	2.32	1.24	6.0	23⅞	9.7
380	Pacific Gamble Robinson Co.	OTC	1.60	.9058	5.9	22⅛	7.2
381	United Telecommunications, Inc.	NYSE	1.84	1.02	5.8	23¾	7.7
382	Allegheny Power System, Inc.	NYSE	2.60	1.44	5.7	25¾	10.1
383	Iowa Resources, Inc.	NYSE	2.92	1.68	5.7	28¼	10.3
384	Belding Heminway Co., Inc.	NYSE	.40	.22	5.6	24	1.7
385	Iowa Public Service Co.	NYSE	2.56	1.47	5.6	24¾	10.3
386	Washington Water Power Co.	NYSE	2.48	1.44	5.6	20½	12.1
387	General Tire & Rubber Co.	NYSE	1.50	.87	5.5	38	3.9
388	Kansas Power & Light Co.	NYSE	2.56	1.47	5.5	28⅜	9.0
389	Squibb Corp.	NYSE	1.34	.788	5.5	53	2.5
390	Iowa Southern Utilities Co.	OTC	3.00	1.77	5.4	35¾	8.4
391	Minnesota Power & Light Co.	NYSE	2.40	1.435	5.3	26¼	9.1
392	Wisconsin Power & Light Co.	NYSE	2.40	1.42	5.2	28	8.6
393	Central & South West Corp.	NYSE	1.78	1.08	5.1	19⅞	9.0
394	Idaho Power Co.	NYSE	3.08	1.81	5.1	34	9.1
395	Niagara Mohawk Power Corp.	NYSE	1.92	1.15	5.1	17¾	10.8
396	Pillsbury Co.	NYSE	1.40	.775	5.1	73½	1.9
397	Central Banking System, Inc.	OTC	.40	.245	5.0	19¼	2.1
398	Commonwealth Energy System	NYSE	1.96	1.24	4.9	32⅜	6.1
399	El Paso Electric Co.	OTC	1.40	.86	4.8	15⅛	9.3
400	Nicor, Inc.	NYSE	3.04	1.895	4.8	30	10.1
401	Columbia Gas Systems, Inc.	NYSE	3.02	1.90	4.7	33½	9.0
402	Atlantic City Electric Co.	NYSE	2.36	1.47	4.6	24	9.8
403	Diversified Energies, Inc.	NYSE	2.40	1.52	4.4	35⅞	6.7
404	IU International Corp.	NYSE	1.15	.75	4.4	28⅛	4.1
405	Washington Energy Co.	OTC	1.60	1.04	4.4	14⅜	11.1
406	Southern California Water Co.	OTC	1.60	1.04	4.2	15⅞	10.1
407	Cleveland Electric Illuminating Co.	NYSE	2.28	1.547	4.1	21	10.9
408	Kansas Gas & Electric Co.	NYSE	2.24	1.53	3.9	20⅝	10.9
409	Southwestern Electric Service Co.	OTC	1.68	1.15	3.6	21¼	7.9
410	Long Island Lighting Co.	NYSE	2.02	1.45	3.4	14¾	13.7
411	Middle South Utilities, Inc.	NYSE	1.70	1.215	3.4	16	10.6
412	South Carolina Electric & Gas	NYSE	2.00	1.418	3.4	19⅝	10.2
413	Tootsie Roll Industries, Inc.	NYSE	.40	.293	3.0	16⅞	2.4
414	Louisville Gas & Electric Co.	NYSE	2.36	1.80	2.5	22½	10.5

1. Before extraordinary item
2. Class B Shares
3. Before discontinued operations
4. Dividend is for Dart Industries
5. Common Stockholders Equity
6. Based on dividend declarations up to 10/26/83

Latest Earnings Per Share	1982 Payout	Annual Sales (millions)	Net Income (millions)	Return on Sales	Stockholders' Equity (millions)	Return on Equity	Fiscal Year
$2.57	32.3%	$ 103.9	$ 6.9	6.6%	$ 52.8	13.1%	12/31/82
6.35	29.0	336.4	31.4	9.3	253.6	12.4	12/31/82
4.10	70.2	687.3	17.0	3.1	234.8[5]	7.2	12/31/82
7.82	37.3	7,639.8	296.3	3.9	2,473.5	12.0	12/31/82
4.67	41.8	362.4	43.7	12.1	286.0	15.3	12/31/82
4.21	**38.0**	**330.4**	**31.9**	**9.7**	**241.2**	**13.2**	**12/31/82**
4.83	**41.4**	**5,871.7**	**287.3**	**4.9**	**1,835.9**	**15.6**	**12/31/82**
4.98	**48.2**	**58.3**	**13.0**	**22.3**	**98.6**	**13.2**	**12/31/82**
5.87[3]	**33.4**	**11,414.0**	**430.0[3]**	**3.8**	**3,228.0**	**13.3**	**1/29/83**
2.20	**63.6**	**3,246.0**	**175.0**	**5.4**	**1,378.0**	**12.7**	**12/31/82**
1.79	55.9	372.2	17.7	4.8	185.7	9.5	12/31/82
4.98	56.2	30,658.0	900.0	2.9	9,914.0	9.1	12/31/82
2.70	59.3	3,787.7	145.6	4.2	905.6[5]	16.1	12/31/82
1.25	32.1	125.1	2.6	2.1	34.4	7.6	12/31/82
2.70	61.5	329.9	39.6	12.0	265.6[5]	15.3	12/31/82
6.62	**40.8**	**6,127.6**	**319.5**	**5.2**	**2,187.7**	**14.6**	**12/31/82**
3.60	**52.8**	**1,302.9**	**116.6**	**10.1**	**775.2[5]**	**15.0**	**12/31/82**
1.71	**60.8**	**37.6**	**3.2**	**8.6**	**26.8[5]**	**12.0**	**12/31/82**
6.34	**32.8**	**1,324.7**	**77.4**	**5.8**	**750.0**	**10.3**	**12/31/82**
1.94	**77.3**	**211.8**	**7.0**	**3.3**	**45.7[5]**	**15.3**	**12/31/82**
2.32	67.2	1,317.7	150.5	8.3	1,059.4[5]	14.2	12/31/82
1.72	74.4	375.7	17.7	4.7	117.4[5]	15.1	12/31/82
2.97	40.4	271.2	12.4	4.6	87.8	14.2	12/31/82
3.14	65.0	584.4	35.9	7.2	276.0[5]	13.0	12/31/82
1.81	101.7	965.5	8.3	1.1	119.5[5]	7.0	9/30/82
4.70	**60.9**	**12,066.4**	**835.6**	**6.9**	**5,816.3[5]**	**14.4**	**12/31/82**
6.34	**47.8**	**997.5**	**32.6**	**3.5**	**252.0**	**12.9**	**9/30/82**
4.55	**59.8**	**809.4**	**205.2**	**28.8**	**1,262.8[5]**	**16.3**	**12/31/82**
5.95	**34.8**	**31.1**	**4.1**	**15.1**	**23.4**	**17.5**	**12/31/82**
2.07	**75.8**	**836.9**	**3.8**	**0.5**	**53.9**	**7.1**	**12/31/82**
2.49	69.1	2,419.2	201.6	8.3	1,499.2[5]	13.4	12/31/82
3.41	66.9	1,751.8	160.7	9.2	1,077.6[5]	14.9	12/31/82
3.66	77.6	385.9	35.4	9.2	272.6	13.0	12/31/82
.74	48.6	101.3	2.3	2.3	40.7	5.7	12/31/82
3.00	82.0	370.5	35.1	9.5	237.1	14.8	12/31/82
3.17	**75.7**	**346.9**	**48.9**	**17.1**	**400.7[5]**	**12.2**	**12/31/82**
1.13	**132.0**	**2,094.9**	**27.4**	**1.3**	**1,013.6**	**2.7**	**11/30/82**
3.60	**65.3**	**481.5**	**56.3**	**13.3**	**398.3[5]**	**14.1**	**12/31/82**
3.01	**42.5**	**1,660.8**	**153.3**	**9.2**	**1,095.8**	**14.0**	**12/31/82**
5.25	**51.0**	**128.8**	**16.4**	**12.7**	**96.9**	**16.9**	**12/31/82**
3.51	65.0	364.4	48.4	13.3	295.4[5]	16.4	12/31/82
3.51	62.7	512.5	42.3	9.2	279.7[5]	15.1	12/31/82
2.82	59.6	2,395.2	234.1	10.9	1,659.1[5]	14.1	12/31/82
4.71	58.6	367.8	80.1	21.8	473.9	16.9	12/31/82
2.64	67.0	2,393.8	230.9	11.2	1,680.7[5]	13.7	12/31/82
3.20	**35.9**	**3,685.9**	**138.9**	**3.8**	**956.4**	**14.5**	**5/31/83**
1.82	**20.7**	**121.9**	**6.0**	**5.0**	**49.2**	**12.2**	**12/31/82**
2.45	**76.7**	**607.1**	**19.9**	**3.9**	**174.6[5]**	**11.4**	**12/31/82**
2.30	**57.0**	**270.1**	**70.9**	**26.2**	**385.4[5]**	**18.5**	**12/31/82**
3.30	**89.7**	**2,166.1**	**86.8**	**4.0**	**923.5**	**9.4**	**12/31/82**
5.10	56.1	5,070.6	180.1	3.6	1,458.3[5]	12.4	12/31/82
1.84	119.6	444.2	27.8	7.9	372.2[5]	7.5	12/31/82
4.18	53.1	692.6	20.1	2.9	132.9	13.8	12/31/82
1.44	78.5	2,117.7	33.4	1.6	336.2	9.9	12/31/82
2.05	76.1	365.7	9.5	3.1	93.3[5]	10.1	9/30/82
1.84	**80.4**	**46.3**	**3.6**	**9.9**	**32.4[5]**	**11.1**	**12/31/82**
3.01	**72.8**	**1,108.6**	**170.7**	**18.9**	**1,227.1[5]**	**13.9**	**12/31/82**
3.00	**70.7**	**350.9**	**84.7**	**24.1**	**519.2**	**16.3**	**12/31/82**
3.99	**38.6**	**45.9**	**2.4**	**5.4**	**14.4[5]**	**16.7**	**12/31/82**
2.70	**73.3**	**1,633.5**	**249.4**	**18.9**	**1,875.6[5]**	**13.3**	**12/31/82**
2.33	71.2	2,901.7	310.6	10.7	2,481.9[5]	12.5	12/31/82
2.32	81.7	859.0	79.8	11.2	667.4[5]	12.0	12/31/82
1.77	21.5	76.1	4.7	6.2	33.3	14.1	12/31/82
2.21	101.4	559.2	33.7	7.7	382.4[5]	8.8	12/31/82

7. Fourth-quarter dividend not reported at press time

8. 1981

9. Reflects consolidation of American Bancorp., Inc. and Central Penn National Corp.

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The Farm Policy Crisis

What To Do About It

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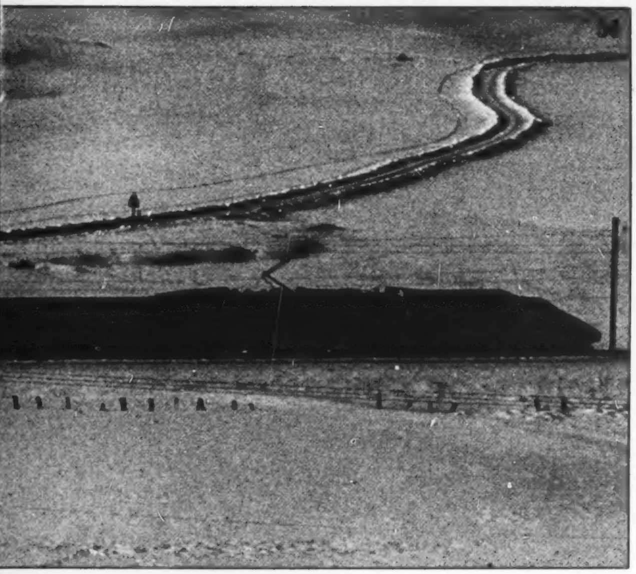

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tomated to increase productivity, not much additional improvement is possible by measuring employee performance. The computer equipment installed to run operations produces the lion's share of any productivity gains, agrees Mitchell Goldstein, office automation consultant at Environetics International, yet the monitoring is frequently mistakenly used to justify the whole expenditure.

Sears, Roebuck & Co., for one, believes the costs in employee morale outweigh the productivity gains in most cases. Therefore, it monitors each call in its catalog sales division for everything except employee performance. According to George Eaton, director of catalog sales, Sears uses individual employee performance reports only to identify personnel that need help and to tally performance on sales promotions. "It really boosts morale to have a contest based on sales per call," he says.

The key to effective monitoring, experts agree, is to convince employees that the measurement system is fair and can't be subverted. American Express, for one, uses outside consultants to make sure its expectations are not unrealistically high or low. "Management must be careful not to push either side [production or quality] too hard," Sherin says.

American Express also has used quality circles to involve employees in setting quality standards in order to gain their acceptance. Such employee cooperation is critical, says Frederick Herzberg, "because while speed is under the control of the system, quality is under the control of the worker."

With employee support, Carl Thor adds, service industries should be able to avoid the loss of competitiveness suffered by manufacturing companies in sacrificing quality to quantity. Competition in the service industries is primarily domestic, but the competitive danger is the same, he observes. "In the drive toward survival, the companies that put cost savings and quantity before service will be at a disadvantage."

—Arlene Hershman
with Miriam Rozen

Pension Plans: Problems of Plenty

In a highly controversial trend, many companies are terminating overfunded plans and putting the money to other uses.

It was not very long ago that the biggest worry about corporate pension plans was unfunded liabilities. So many companies did not have enough cash stashed away to cover their potential payouts to retirees that it seemed likely they would eventually pass on a huge bill to the federal government's meagerly funded Pension Benefit Guaranty Corp. (PBGC).

Now, rather suddenly, the problem is almost exactly the reverse. Many pension plans are overfunded, for several reasons. For one, recession-induced layoffs left many companies with more accumulated pension money than needed. For another, high interest rates gave them a far better return on pension plan assets than expected. And more recently, the boom in bonds and stocks has enriched a lot of pension plans.

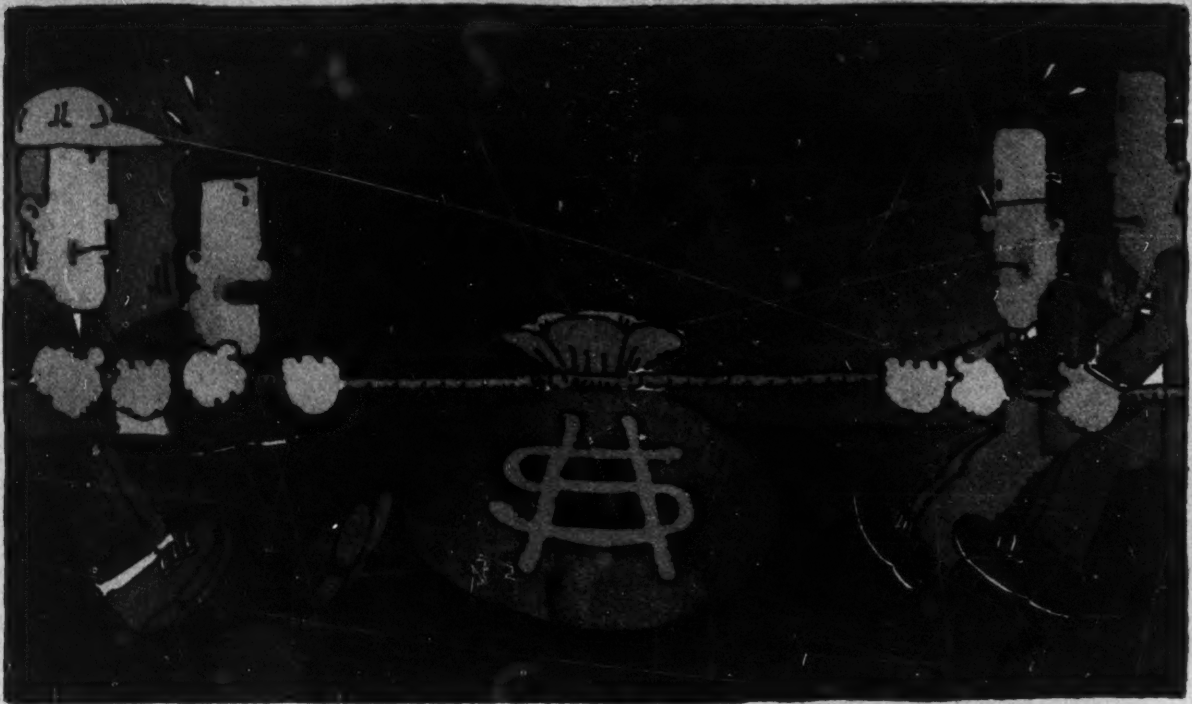
As a result, many companies are discovering that they have tens or even hundreds of millions of dollars more in pension fund assets than they will need to pay off their anticipated obligations. The situation is both a potential risk and a bonanza. The risk is that all that excess cash will invite a takeover by a greedy raider. The bonanza is that companies hungry for cash find they can siphon off millions in excess pension assets for other corporate purposes by terminating their pension programs and then setting up new plans that are usually less generous.

A surprising amount of pension fund assets are being diverted in this way. Since 1980, according to the PBGC, more than 100 U.S. companies have terminated their pension plans, substituted new ones and pocketed a total of $443 million. Add to that the many other terminations that are awaiting approval or are still tied up in lawsuits brought by angry employees, and the total money involved adds up to well over $1.5 billion.

Not surprisingly, the issue has aroused heated debate, both in the business world and in Washington.

Debating the issue

When the House Select Committee on Aging held hearings on pension plan terminations last fall, most of the experts who testified were clearly critical. Michael Gordon, the Washington lawyer who is considered the father of the Employee Retirement Income Security Act (ERISA), warned, "There has grown up in this country a veritable cottage industry whose primary function is to show corporate pension plan sponsors how to get



around ERISA so that they can convert funds to their own use."

And Wilbur J. Cohen, former Secretary of Health, Education and Welfare and now a professor at the LBJ School of Public Affairs, told DUN'S BUSINESS MONTH: "Pension plan termination is bad for the workers involved, bad for a company's reputation, bad for everybody."

But the practice also has a vociferous minority of defenders. Howard Fluhr, senior vice president and actuary with consulting firm Martin E. Segal Co., asserts that companies, after all, also have some rights. He further points out that under the terms of ERISA, any company that ends its pension plan is required to provide every member with his or her accrued benefits, whether or not the employee is vested. The companies also have to demonstrate to the PBGC that they have purchased annuities to meet the needs of plan members, he explains, "so a company cannot steal part of the money in the process."

Indeed, some companies defend pension-fund terminations on the ground that employees themselves gain in the process. Says R. Bern Crowl, executive vice president of Reynolds Metals Co., which is now awaiting PBGC approval to end its pension plan for salaried employees: "There is an awful lot of emotion about plan termination and not enough attention given to gains and losses."

Reynolds itself expects to recapture $130 million from the termination, and employees gain in two ways, according to Crowl. "When the plan ends, they will all be vested automatically, and a lot of them might never have been otherwise," he explains. "And from then on, they will have the protection of insurance-company annuities."

Critics, however, point out that such an arrangement takes care of only the past, not the future, and denies an employee's reasonable expectations. "If a fellow at 55 is making $30,000 a year, he expects salary increases from then until he is 65 to step up his pension," says Douglas Borton, chief actuary of Buck Consultants, employee benefit specialists. "But if the plan is terminated, that won't happen, and he is simply out of luck."

Other experts point out that if a company ends a defined (guaranteed) benefit plan and replaces it with some kind of plan based on company contributions that will probably fluctuate from year to year, it offers no guaranteed payout and shifts the investment risk to the employee.

The reasons for plan termination, of course, have varied from company to company. For instance, publishing firm Harper & Row was worried about a possible takeover in 1981. To defend itself, it ended a defined benefit plan and replaced it with an Employee Stock Ownership Plan (ESOP) based entirely on company stock in order to get the shares into presumably friendly hands. However, many employees felt their future security would be jeopardized by dependence on a one-stock plan, and they have been fighting the company in court ever since.

The rationale

The Great Atlantic and Pacific Tea Co. ended its overfunded plan for the express purpose of using the extra money to close down a number of stores, a step it said was essential to its survival. A&P originally recaptured $250 million in assets in this way. But one high-placed executive sued, arguing that the money belonged to the plan participants alone. An out-of-court settlement gave the company $200 million of the money, pension plan members the other $50 million. But now that settlement has been appealed to a higher court.

In a third variation on the basic theme, Occidental Petroleum, after its $4 billion acquisition of Cities Service Co., ended four separate pension plans and pocketed $400 million, presumably to help pay for the acquisition. But it has not yet received PBGC approval.

Underlying the furor over pension plan termination is the basic question: Whose money is it, anyway? Some specialists argue that since it was put aside solely to benefit employees, it all belongs to them.

Others argue that companies should be entitled to remove excess assets and put them to more productive use. Troubled GAF Corp., for example, ended its pension plan recently in order to recover $40 million it felt it badly needed. The company was sued but finally upheld in court. Says Dean Gaver, the lawyer who won the case for the company: "Management saw this essentially unproductive money sitting there and thought it should be put to better use. The officers of a company, after all, have a dual fiduciary duty—to stockholders as well as to employees."

But concern about the ethics of pension plan termination—and its impact on employee morale—is growing, particularly in Congress. At the House Select Committee on Aging hearings, spokesmen for the Labor Department and the Internal Revenue Service —which have had continuing differences among themselves about how to interpret and enforce ERISA—in effect told the committee that nothing need be done right now to deal with the problem. But committee counsel Roger Thomas says its members are very much disturbed at the prospect that company employees may not get what they have been promised at retirement because of plan terminations.

Committee members are particularly disturbed by what they consider the lack of any constructive action by the administrative agencies, especially the Labor Department, to improve the situation. After investigating the Harper & Row case, for example, Labor decided not to intervene on the ground that the company's action was a business decision, not a fiduciary one. Thomas insists that argument is too legalistic and narrow.

Amid the give and take, Edwin Jones, executive director of the PBGC, is particularly concerned about a relatively new variant on pension termination: the so-called spinoff, which has been proposed recently by AMAX Corp. and Celanese Corp., in efforts to recapture $100 million and $300 million respectively. This would let a company divide one pension plan into two—one for active employees, the other for retirees. First the accrued benefits for the active workers would be covered and the excess assets would be put in the retiree plan. Then the retiree plan would be terminated immediately, and the employer would buy annuities for the retirees and pocket the surplus. Jones worries that such a process would leave no cushion for the active employees. If the company got into financial trouble, he fears, the PBGC would be expected to foot the pension bill.

Big Bucks at Stake

The surplus assets involved in pension plan terminations already exceed $1.5 billion. Some of the largest amounts recaptured, or being sought, by companies:

Company	Amount Recaptured (millions)
Occidental Petroleum*	$400
Celanese*	300
Great American and Pacific Tea*	200
Reynolds Metals*	130
AMAX*	100
Stroh Brewery*	81
AM International*	65
M.W. Kellogg	58
GAF	40
Western Air Lines	28
Graniteville*	25
Timex	21
Houdaille Industries	21
Continental Air Lines	19
Questor	13
Lane Bryant	12
Mattel*	12
Bank of the Commonwealth	12
Dentsply International	11
A.G. Becker	11
Harper & Row Publishers*	10
Dan River*	10
Norlin*	10

*Awaiting final approval.

Too risky?

Jeffrey Clayton, who retired in November as the chief pension administrator for the Labor Department, has urged companies to begin showing some voluntary restraint in plan termination. There is, after all, nothing to prevent a company whose plan is overfunded from simply making smaller contributions for a few years until the surplus is reduced.

But many critics insist that, with the federal agencies doing little, only Congress can effectively deal with pension plan termination. In the latest session, in fact, Democratic Senator Howard Metzenbaum of Ohio tried, without success, to impose a nine-month freeze on terminations involving company recapture of $1 million or more.

There will undoubtedly be more ambitious attempts at legislation this year, perhaps even to permanently ban terminations. But most pension specialists are highly critical of any such "blunderbuss" law, as one calls it. No company is required by law to maintain a pension plan, and if terminations were banned, they believe, an increasing number of companies would either forgo plans altogether or make sure they were minimally funded. As Michael Gordon observes: "What we need to do is find some way to assure the continuation of pension plans, not their termination."

—John Perham

The New Year Looks Good

The latest D&B survey of business expectations shows that managers are upbeat, but a bit cautious about 1984. Plans for inventories and prices are surprising.

Business executives are optimistic about 1984—but not euphoric, according to the latest DUN'S 5000 survey of expectations. The survey, which had a remarkable 85% response rate from those queried, represents all sectors of corporate America. The results show that, in spite of 1983's big gains in sales and economic growth, most managers are taking a cautious approach toward the New Year.

Higher sales are anticipated by 77% of the executives interviewed and only 5% see lower sales. But a smaller number, 65%, think these sales gains will lead to higher profits. About 25% expect profits to remain at the 1983 level—which still is upbeat, since last year's earnings were generally good.

One interesting finding of the survey is that only 37% of the DUN'S 5000 sample expect to increase inventories this year. There's no evidence at this time that managers will respond in time-honored fashion and increase inventories as orders and sales go up. A full 57% plan to keep inventories at current levels, which by historic standards are very low.

As for employment, last year's survey correctly predicted large job gains thanks to the hiring plans of small firms. This year, however, large companies are more optimistic about hiring. The survey shows that 44% of firms with more than 5,000 workers expect to add jobs, but only 30% of small establishments with fewer than twenty workers see higher employment.

The question is whether or not this year's hiring action by big firms will equal the total employment gains of 1983. The next DUN'S 5000 survey, which will focus on specific changes in employment plans, should shed more light on the job outlook.

Inflation will also be moderate this year, according to the chief financial and executive officers interviewed. Almost 40% think their prices will remain the same—a surprisingly high percentage given the likelihood of continued recovery.

—JOSEPH W. DUNCAN

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.

OPTIMISM INDEX

Business managers are very bullish about sales in 1984, but not as upbeat about employment, according to the latest Dun's 5000 survey. The following optimism index is a measure of those companies that expect sales, profits, employment and prices to be better next year, minus the companies that expect these things to be worse. Those with an unchanged outlook compared to last year are not included.

SIZE OF FIRM	SALES	PROFITS	EMPLOYMENT	PRICES
	(% INCREASE MINUS % DECREASE)			
1-19 workers	63.7	53.4	25.2	44.6
20-99	65.2	56.9	34.5	52.3
100-499	71.9	52.7	29.3	53.2
500-999	73.5	45.7	28.5	52.7
1,000-2,499	76.0	40.1	16.3	64.7
2,500-4,999	79.9	59.5	25.7	60.1
5,000 plus	83.6	71.8	34.1	65.7

ness in a way that appeals to Corneliuson. By getting out of CIT Financial and Gibson Greeting cards, he believes, the company is coming closer to its core businesses. "When it comes together, RCA will be in electronics, defense and communications, and these three businesses will be valued at a market P/E," he says.

Corneliuson is ambivalent about Hertz auto rental. On the negative side, it makes RCA tougher to analyze; but positively, it has enormous earnings potential, especially this year. He figures that the liquidation value of RCA's assets are $65 a share, while the stock has been selling recently at around 34. Corneliuson estimates that the company will earn $3.50 a share this year, up from an estimated $2.05 in 1983. For 1985, he sees another big gain to $4.50.

Corneliuson also likes K mart, which he considers a classic example of a retailer that, having disappointed investors in recent years, will now surprise them with unexpected earnings gains. The company has very attractive long-term leases on its stores. These, along with its management program for redeploying assets, reconfiguring store layouts and upgrading merchandise, should help earnings, he says. He figures earnings per share will come in at $3.70 for the fiscal year ending January 31 and rise to $5.25 the following year. With the stock recently trading at 34, he sees it as a worthwhile investment that could sell at ten times earnings.

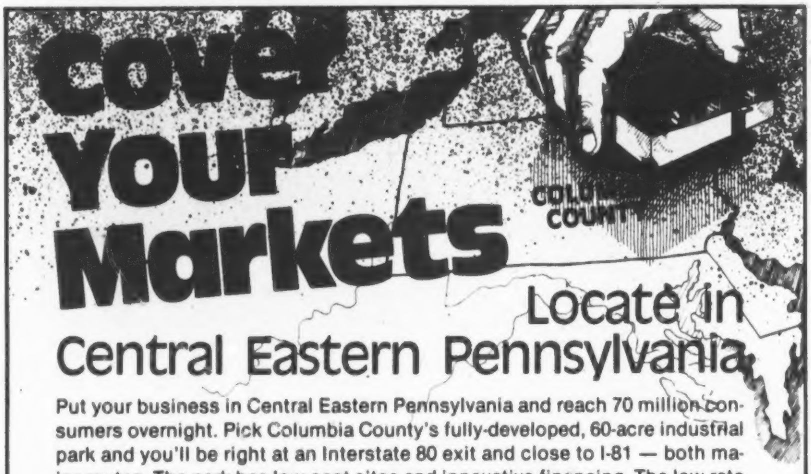
Another company with disappointing earnings that is poised for improvement is Beatrice Foods, according to Corneliuson. Since a management change in 1979, the company has been selling off many of its hundreds of small businesses. Corneliuson says it will raise $400 million in cash through these dispositions; in addition, it has used little of its $75 million reserve for potential losses on these sales. He expects much of this money to be used to pay down debt and repurchase shares. Corneliuson expects earnings per share to reach $3.30 in the current fiscal year (ending February 28) and advance to $4.25 next year. The stock recently traded at 32. —A.H.

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

	(11/30/83) Recent Price or Yield	Value of $10,000 if invested:	
INVESTMENT		**Month Earlier**	**Year Earlier**
Common Stock	**$20.87/share**	**$10,229**	**$12,412**
(Index fund, capital gains and dividends reinvested)			
per cent change		+2.3%	**+24.1%**
Bonds			
(30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$100.25	$10,145	$ 9,703
ACCUMULATED INCOME		$ 99	$ 92
TOTAL		$10,244	$ 9,795
per cent change		+2.4%	−3.1%
Money Market Fund	8.55%	$10,070	$10,854
per cent change		+ .70%	+8.5%
Gold	$421.75/oz.	$10,663	$ 9,099
(Krugerrands)			
per cent change		+6.6%	−9.1%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	**$77,400**	$78,800	**$70,800**
per cent change		−1.8%	+ 9.5%
New House	**$98,800**	$ 95,800	**$97,900**
per cent change		+3.0%	+ .91%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.



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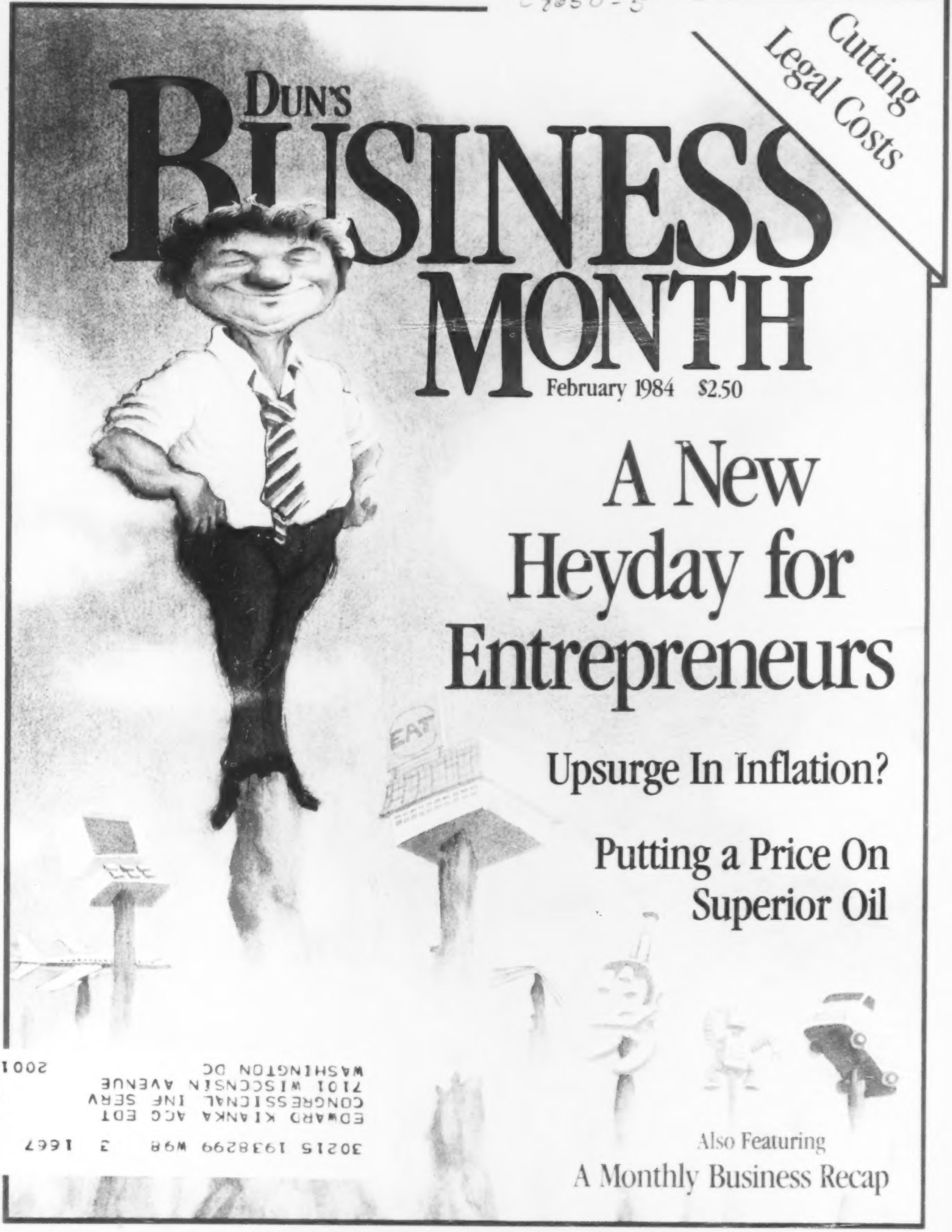

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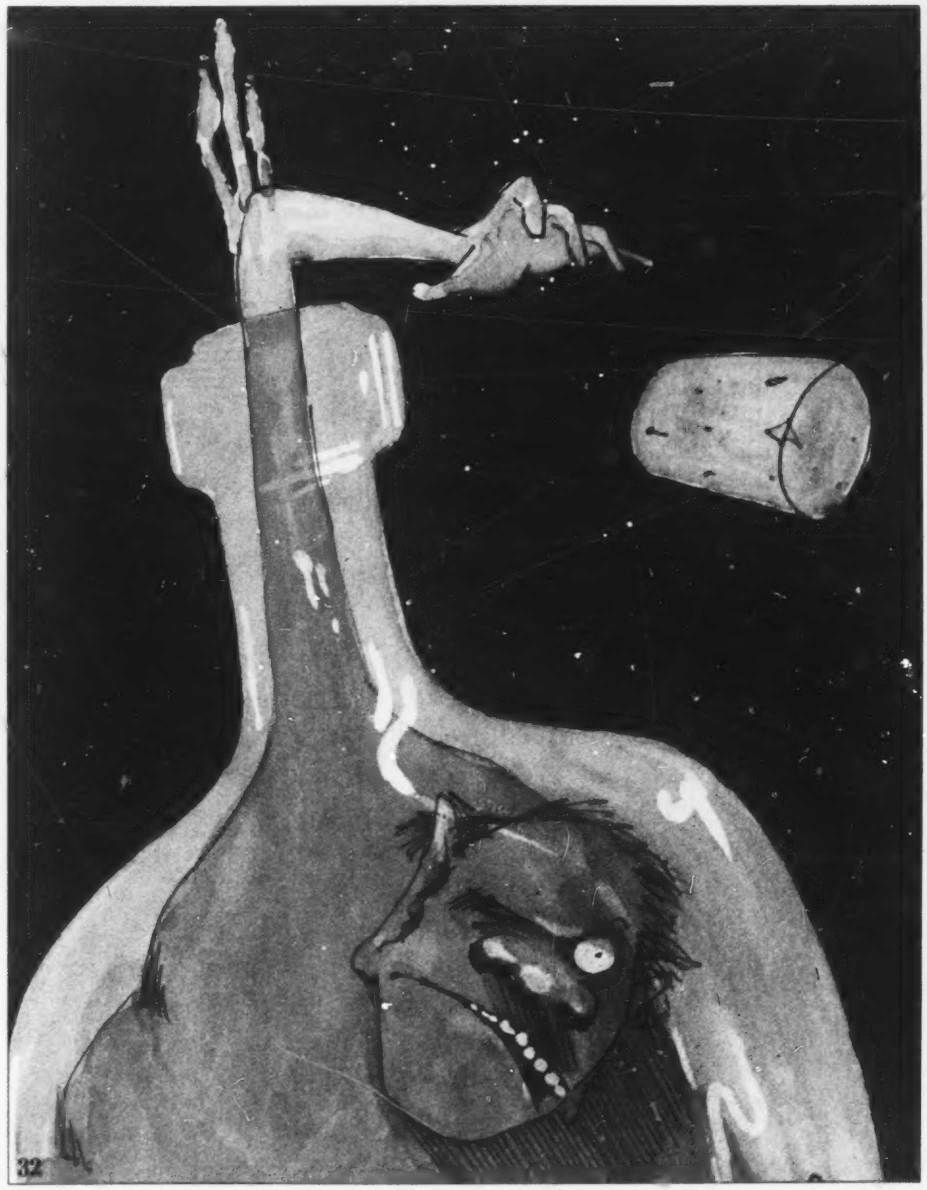

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Inflation: Will the Monster Reappear in 1984?

Today's modest rate will more than double by year-end, say some influential economists. Pressures from wages, the dollar and the Fed.

The rise in the Consumer Price Index last year was only a bit over 3%—an eleven-year low—and the consensus among economists is that inflation will remain in a modest 4.5%-to-5% range during this second year of recovery. The official Administration forecast for this election year is for a 4.5% uptick.

But there is a minority of influential economists who dissent sharply from this sanguine view and who believe that inflation will be in the 6%-to-8% range by year-end. And if that happens, the inflationary psychology could be so pervasive that the price push could be back in the double-digits in 1985.

The inflation monster will soon emerge from the bottle, they maintain, because of wage pressures in prosperous industries, a decline in the recently soaring dollar and, most important, an expansionary monetary policy. "Rapid money growth has spurred one of the strongest recoveries in the non-farm economy since World War II," says Jason Benderly, chief economist of The Prudential Life Insurance Co. "And rapid money growth has always been followed by rapid inflation."

Both the Citicorp and the Kemper Financial Services forecasts say the inflation rate could hit 7% by year-end; and the well-respected "leading index of inflation" developed by Geoffrey H. Moore of Columbia University's Center for International Business Cycle Research recently registered a sharp rise. "It suggests inflation of around 7% by the middle of 1984," maintains Moore. Indeed, the index points to a rate as high as 9% by the fourth quarter, although Moore doubts it will go quite that high.

Most significantly, 1984 will be a big bargaining year for major unions—most notably in the newly-recovered auto industry. As the orders roll in and profits soar, many experts believe labor will insist on "getbacks" to make up for recession-induced "givebacks." Other healthy or improving industries in which labor is likely to flex its muscles include aerospace, telecommunications, paper and electrical equipment. Moreover, business—at least in the prosperous industries—is expected to play a similar game of catch-up on prices.

"Getbacks" after "givebacks"

Meanwhile, fear of a major strike in an election year means the White House might quietly lean on management to acquiesce to labor's demands. In any case, the *laissez-faire* Reagan Administration has no intention of actively jaw-boning for wage restraint.

While unemployment (recently 8.2%) will remain relatively high for the second year of a recovery, the composition of the jobless numbers —high among the unskilled and the young, low among skilled workers and married males—means that there could be upward wage pressures due to shortages of the highly skilled.

"The unemployment rate of adult married men has dropped 30% during the past nine months and is now halfway back to full employment," the Kemper forecast points out. And there are already bottlenecks in the labor market for engineers and others who work in strong sectors such as aerospace and telecommunications.

"Wage increases will strictly depend on the demand for a product," says economist Mickey Levy of Philadelphia's Fidelity Bank. "If managers think they can pass along the higher operating costs, they'll go ahead and grab workers at higher wages." And a

AS THE MAJORITY SEES IT

In sharp contrast with the minority of economists who foresee an upsurge in inflation next year, Wharton Econometrics Forecasting Associates expects only a modest rise in prices—4.8% for the Consumer Price Index and 4.2% for the Producer Price Index. Here are Wharton's forecasts for the rise in specific consumer and industrial prices:

Transportation	7.3%	Paper and Pulp	5.2%
Financial, Insurance and Real Estate	6.7	Entertainment	4.9
Iron and Steel	6.4	Electrical Machinery	4.6
Drugs, Soap and Toiletries	5.8	Food and Beverages	4.5
Medical Care	5.8	Industrial Chemicals	4.5
Apparel and Upkeep	5.6	Residential Construction	3.9
Housing	5.4	Tires and Tubes	3.7

recent Kemper analysis points out that workers in depressed sectors, who might be willing to hold the line, represent less than 5% of total employment. Moreover, capacity utilization is close to crossing the inflationary 80% mark. The upshot will be a slowdown in productivity increases from 1983's 4%-to-5% range to a 2%-to-3% rate, which means that to maintain profits companies will have to resort to price increases, the Kemper economists conclude.

As for the dollar, experts such as Brookings Institution economist Lawrence Krause are warning that the greenback is riding for a fall because it is so overvalued. Krause does not believe that the drop will be precipitous. But if the plunge is dramatic, inflation would soar—first, because the price of imports would increase; and second, because a weak dollar would spur foreign demand for U.S. products, enabling companies to raise prices and spurring demands for wage hikes. Perhaps even worse, it would mean a mass exodus of the foreign money that has made it easier for the Treasury to finance a $200-billion federal deficit. If the Treasury has difficulty marketing this massive load of federal paper, the Fed might be tempted to monetize it by increasing the money supply, which would mean still more inflation down the road.

Exodus of foreign money?

Even without the Treasury's debt problem, the Fed is likely to ease its policy in an election year to avoid the risk of another recession, in Benderly's view. The Prudential economist is also worried about the central bank's apparent abandonment of its post-1979 policy of monetarism in favor of interest rate targeting. This, he believes, could also fan the inflationary fires.

Those who maintain that inflation is not a danger over the near-term contend that the economic landscape has changed so dramatically that another massive price push is practically impossible. They cite the high jobless rate, the threat of world competition, widespread deregulation and the painful lessons learned during the past recession as reasons why prices will stay subdued.

Economist Edward Guay of Cigna Corp. actually foresees "zero inflation" by 1987 because he is convinced the Fed will not cave in to political pressures to stimulate the economy's growth prior to the election. And consulting economist Morris Cohen, who was one of the few forecasters to foresee the strength of the current recovery, believes "the Fed will hang tight" and that "interest rates will go down at the end of the year instead of up."

Price rises will also be deferred by the relatively high rate of joblessness. "We believe inflation will decelerate to 3%-to-3.5% by late 1984 because of vast slacks in the labor market," says David A. Levine of Bernstein Economic Research. "As long as unemployment is above 7%, there will be continued downward pressure on wages and prices," he says. It is unlikely that the 7% jobless barrier will be broken before 1986, Levine adds.

The trend of slow or no-wage growth will be especially true for deregulated industries such as airlines and trucking and for deeply-depressed sectors such as steel and farm equipment, others point out. This outlook for lower labor costs means increased productivity, which has grown at a gratifying 4%-to-5% rate during most of the past year.

Still another factor, say the optimists, are the deep scars left by the 1981–82 recession. "American management has been harshly disciplined," contends Conference Board labor economist Audrey Freedman. "Corporate survivors are not going to revert to inefficient operations now. Clearly, there will be no wage explosion in 1984 even as the recovery continues." Morris Cohen makes the same point: "The big difference is that we have just been through a very long, long recession," he maintains. "Memories used to be short about economic ups and downs, but no one is going to forget what we've been through in the past few years."

Recession's scars

The inflation debate is reminiscent of the pre-recovery days, when most economists were convinced that 1983 growth would be sluggish. Then, as now, a handful of experts took a look at past events and came to the opposite conclusion—that, as always, the first year of recovery would be typically robust. And now the minority says that, as in the past, inflationary pressures will boil up in this second year of recovery. "Fasten your seatbelts again," warns the Citicorp forecast. —**MARILYN WILSON**

Business Failures: Is the Rise Over?

A new Dun & Bradstreet index shows an increase in 1983's second half. The problem is mostly with small business, but things are looking better.

The number of enterprises that went out of business declined during the second quarter of 1983, but increased in the second half, according to a new Dun&Bradstreet index that provides a quarter-by-quarter comparison. Nevertheless, a closer look at the fourth quarter suggests that the recovery is having a positive impact on the rate of business failures, especially on firms with large liabilities. The accompanying table shows that the number of failing firms with high levels of outstanding liabilities declined in the second half of the year. However, financial pressures were still evident for smaller firms.

During the fourth quarter, the number of business failures was essentially flat. This may have resulted from a December decline, a typical seasonal pattern, since many firms on the edge of failure hang on until the end of the year hoping that Christmas business will bail them out.

It's also important to note that bankruptcy is often a strategic tool that many firms now use for non-economic reasons. And the fact that personal bankruptcy is now more socially acceptable is bound to have a spillover effect on very small firms as well. Thus it is possible that company shutdowns may not really reflect business conditions.

All other indicators show that corporate balance sheets have improved dramatically since 1982, and thus 1984 should see a drop in business failures.

—Joseph W. Duncan

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.

BUSINESS FAILURE INDEX

A new index has been developed by Dun & Bradstreet to show how business failures compare quarter by quarter. As the following table shows, the index rose in the last quarter, but this was largely due to small-business failures.

1983 QUARTER	BUSINESS FAILURES REPORTED	% CHANGE DURING QUARTER	AVERAGE WEEKLY FAILURES	FAILURES* INDEX
FIRST	7,733	+14.2%	595	94.7
SECOND	7,404	−4.3	570	90.7
THIRD	7,915	+6.9	609	97.0
FOURTH	8,282	+4.6	637	101.5
TOTAL	31,334		603	96.0

*(October = 100)

FAILURES BY SIZE AND INDUSTRY

The failure rate for large businesses, with liabilities of $100,000 and more, dropped during 1983, while the failures of businesses with smaller liabilities grew. Among industries, the drop-out rate slowed in construction, manufacturing, transportation and utilities, and retail trade.

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
TOTAL FAILURES	7,733	7,404	7,915	8,282
BY LIABILITIES:				
$100,000 and Over	53.9%	53.1%	44.7%	45.0%
Under $100,000	46.1	46.9	55.3	55.0
BY INDUSTRY:				
Mining	2.1%	2.1%	2.1%	2.3%
Construction	17.0	17.9	15.6	15.4
Nondurable Manufacturing	4.2	4.3	4.1	4.1
Durable Manufacturing	8.1	7.4	7.6	7.7
Transportation and Utilities	5.6	5.9	4.8	4.7
Wholesale Trade	10.7	11.4	11.7	11.8
Retail Trade	34.3	33.6	32.2	31.5
Finance, Insurance & Real Estate	N.A.	N.A.	K.A.	N.A.
Service	17.9	17.4	21.8	22.5

flow. National Commercial Banking of Australia, one of the three big banks in Australia, is the cheapest bank stock in the world, according to Templeton. It is trading at two-and-a-half times its 1986 earnings. Sumitomo Marine & Fire Insurance Co. of Japan is selling for only 27% of its liquidating value.

—A.H.

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(12/30/83) **Recent Price or Yield**	**Value of $10,000 if invested:** **Month Earlier**	 **Year Earlier**
Common Stock (Index fund, capital gains and dividends reinvested)	$19.70/share	$ 9,936	$12,129
per cent change		−.61%	+21.3%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$99.00	$ 9,875	$ 9,161
ACCUMULATED INCOME		$ 97	$ 90
TOTAL		$ 9,972	$ 9,251
per cent change		−1.2%	−7.5%
Money Market Fund	8.69%	$10,073	$10,858
per cent change		+ .73%	+8.6%
Gold (Krugerrands)	$404.00/oz.	$ 9,579	$ 8,600
per cent change		−4.2%	−14%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$77,300	$77,700	$71,600
per cent change		+5.1%	+ 7.3%
New House	$93,100	$98,000	$91,800
per cent change		−5.2%	+ 1.4%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

IRS Gets Tougher on Art Collectors

Art collectors are probably no more or less honest than anyone else. They want to pay as few taxes as possible and declare every deduction in sight. Traditionally, the Internal Revenue Service paid little attention to this hard-to-evaluate area. But it has become somewhat stricter in the past few years, and it recently began a crackdown on some abuses.

Most important, it is taking a much closer look at the reporting of capital gains from the sale of art works. Under the 1982 Tax Reform Act, commodities and securities brokers are required to report to the government every transaction involving a sale of assets. Now the definition of "broker" is being expanded to include art dealers and auctioneers.

The move does not come as a complete surprise, since the IRS has been making random checks at auction houses and galleries for the past two years. But most art dealers claim they do not know the extent of the problem. "The IRS came to look at our books," says Nathan Kolodner, director of the Andre Emmerich Gallery in Manhattan, "and I suspect that some people are not reporting their capital gains. But it would never occur to me to ask." Adds Ivan Karp, owner of the O.K. Harris gallery, "I know of one man who said he didn't pay the capital gains, but I have never heard anyone else talk about it."

Another area in which the government appears to be getting tougher is deductions for "investing" in works of art. The concept of an investor in the art world—as opposed to a collector or a dealer—is rather nebulous, and some people have attempted to take advantage of the fuzzy IRS language to claim deductions for such expenses as framing works of art, insuring, storing, conserving and cataloguing them and even for buying trips abroad.

Someone claiming to be an art investor, Chairman Wiley Grant of the IRS's Art Advisory Panel has said, must state on a document that his or her interest in art is purely as an investment and must also consult occasionally with experts and subscribe to the relevant periodicals. But that definition probably fits most art collectors, who "consult" with dealers on purchases and generally subscribe to the major art magazines.

In a more clear-cut ruling, the U.S. Tax Court has firmly established that an investor cannot have art works in his home or office, and thus derive pleasure from them, but must warehouse them elsewhere. Most so-called investors are really just collectors, the court feels, and a collector is a hobbyist and therefore not entitled to any deductions.

On the bright side, however, the rules covering tax deductions for people who volunteer their time to museums appear to be loosening. In one form of tax break, the standard gas mileage deduction has been increased from 9 cents to 21 cents (making it equal to the amount allowed for business-related travel) in several states, and Maryland Congresswoman Barbara Mikulski has introduced a bill to make the same change at the federal level.

In addition, the Tax Court has reversed an IRS ruling that disallowed a home-care deduction for babysitting expenses claimed by a museum volunteer. It is too early to tell whether that decision established a precedent.

—Daniel Grant

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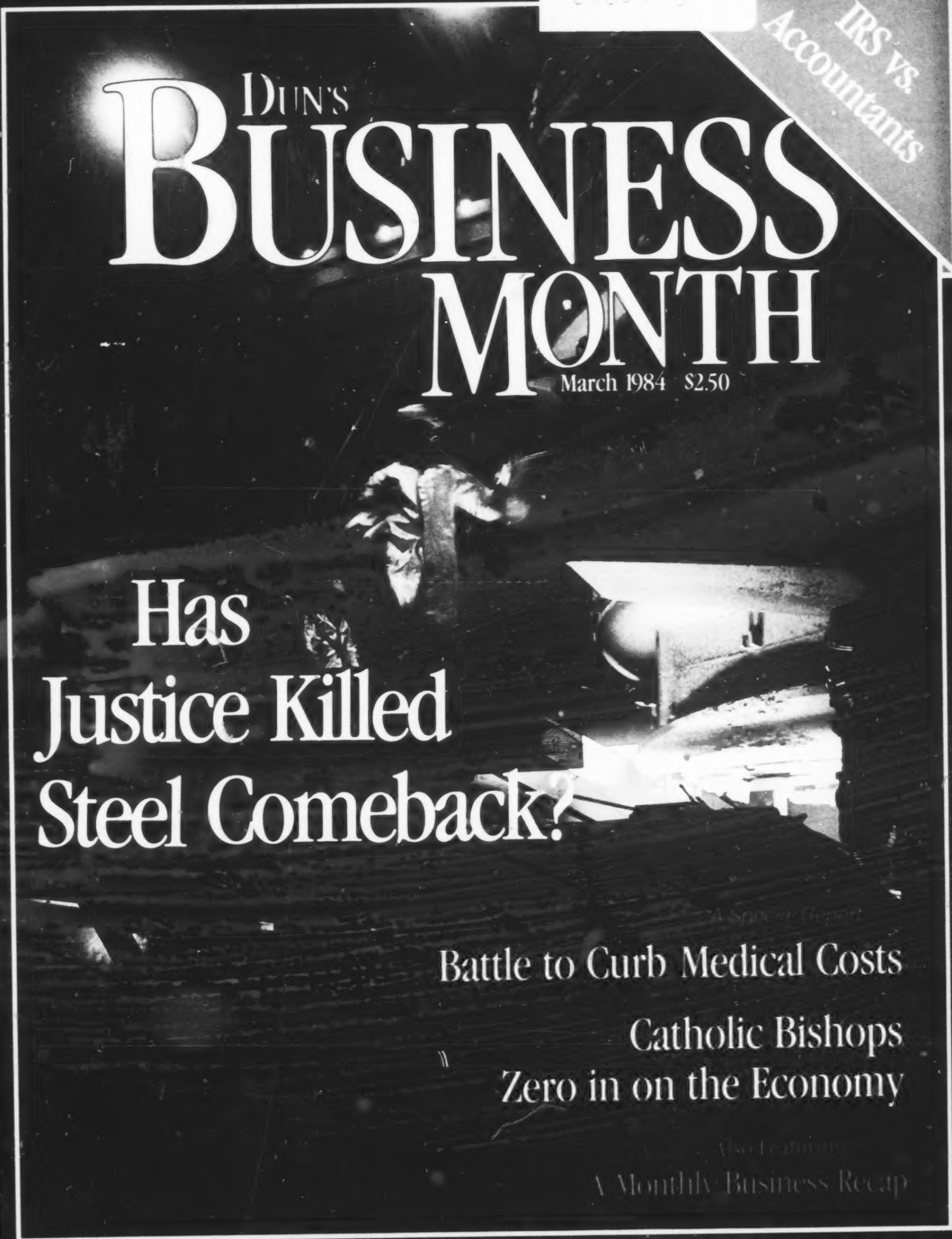

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The Crunch Hasn't Come—Yet

Available credit jumped last year. But 1984 is another story.

Federal borrowing—both on and off the budget—took a huge leap to $281 billion in 1983 from less than $200 billion the previous year. Yet there was no marked "crowding out" of private borrowers or severe upward pressure on interest rates because of a surprisingly strong 20% increase in available funds in the credit markets. But there's a great deal of risk that this lucky event won't repeat itself this year, which means the long-anticipated crunch may finally come. All of the big buyers of U.S. Treasury securities who bailed the economy out in 1983 are less able to do so in 1984, with the possible exception of savings and loan associations.

Commercial banks, which purchased a sizable 19.8% of the government offerings, are also the major source of consumer and commercial loans. Last year, corporations were cautious about borrowing, but attitudes may be different as the expansion proceeds. Consumers are already increasing their debt, and if companies follow suit, the federal government will face a great deal of competition it didn't have to contend with during 1983.

State and local governments are an even riskier source of funds this year. In 1983, they floated a large number of bond issues to get in under the wire of the new law requiring bonds to be registered and ended up with $30 billion in surplus funds. As a result, they were the third-largest buyers of treasuries, contributing 11.2% to the flow of funds that entered the credit market via this route. This year, however, municipalities and states will start spending their money on bridges, roads and other major projects. So inevitably, this source of funds will shrink significantly.

Foreign purchasers grabbed up a fair share of government securities as well, about 8% of the total. This is less than many people think (foreign cash has often been called the major cushion against crowding-out). Still, the amount of money foreigners contributed to U.S. credit markets doubled in 1983—a sizable sum that could dry up overnight due to a weakening dollar or a stronger-than-predicted worldwide recovery.

Savings and loan institutions, which sopped up 17.1% of treasuries last year, will probably provide about the same amount this year. These thrifts enjoyed a surge of money into their coffers when they were able to offer insured deposits at money-market rates. Many investors quickly switched their Individual Retirement Accounts into the S&Ls, and at the same time mortgage demand leveled off. But unless the IRA influx continues, the S&Ls will not be a source of great growth in available funds for borrowing.

In short, the U.S. is facing a year that will require about the same level of federal financing as 1983—if the budget estimates are correct. But this time around, most of last year's lifeboats are leaky—which is why the financial markets are worried more each day about the impact of the enormous federal deficit.

—JOSEPH W. DUNCAN

IT'S NOT JUST THE DEFICIT

The growth of federal borrowing is just as striking as the rapid increase in the federal deficit. Borrowing for on and off-budget items, including guaranteed loans and other government-sponsored activities, has soared since 1979.

FEDERAL SHARE OF THE CREDIT PIE (billions)

	1979	1980	1981	1982	1983
Federal borrowing from public	$33.6	$70.5	$79.3	$135.0	$212.3
Borrowing for guaranteed loans	25.2	31.6	28.0	20.9	34.1
Other government borrowing	21.9	21.4	34.8	43.8	34.6
Total money borrowed by federal government	80.7	123.5	142.1	199.7	281.0
Total money borrowed, public and private	423.5	356.4	414.3	394.2	497.5
Federal share of total	19.1%	34.7%	34.3%	50.7%	56.5%

Source: Federal Budget

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.

Has Justice Killed Steel Comeback?

The antitrust challenge will cause serious problems, but specialization and massive outlays will make the industry competitive in the years ahead.

The antitrust bombshell tossed at the LTV-Republic Steel merger last month seemed at first glance to have blown up the entire American steel industry strategy for becoming lean enough and modern enough to compete with its tough and hungry international rivals. After all, mergers are a key element in that strategy, and the Justice Department was saying firmly that deals as ambitious as the one between LTV Corp. (parent of third-ranking Jones & Laughlin Steel) and fourth-ranking Republic Steel were out of the question. That hardly augured well for any merger between Number One producer U.S. Steel Corp. and Number Seven National Steel Corp., a proposal that provided the other big surprise announcement affecting the industry last month.

But while steel's best laid plans have suffered a setback, they are still viable. The industry's climb out of the competitive hole it nelped dig for itself will be slower and more painful, but it will continue. And by 1990, the industry will look something like this:

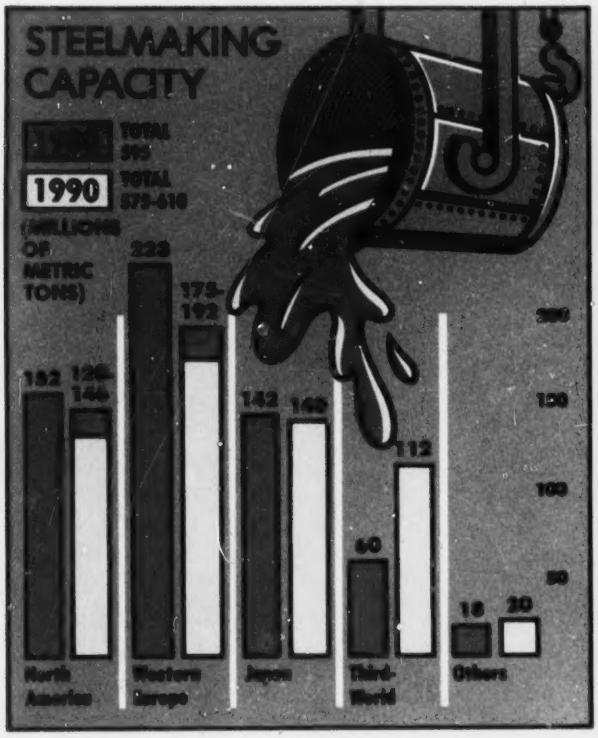
- The giant, integrated companies, which own their own coal and iron ore and produce virtually every kind of steel product, will be a thing of the past. Specialization will be the order of the day. "The supermarket days are gone," U.S. Steel Chairman David Roderick told DUN'S BUSINESS MONTH. "I don't think any U.S. producer will ever again offer a full product line."
- The big firms will account for a far smaller percentage of the steel sold in the U.S. By 1990, the larger firms' share of the domestic market will decline from about 63% last year to about 50%. The rest will be evenly split between mini-mills and imports.
- Virtually all of the antiquated facilities will have been closed, and heavy capital investments will have been made, so that the U.S. will have one of the most technologically advanced steel industries in the world.
- The pattern of feast or famine. huge profits in good times and heavy losses in bad, will have been broken. This will stem from far lower breakeven points as a result of technologically advanced mills.

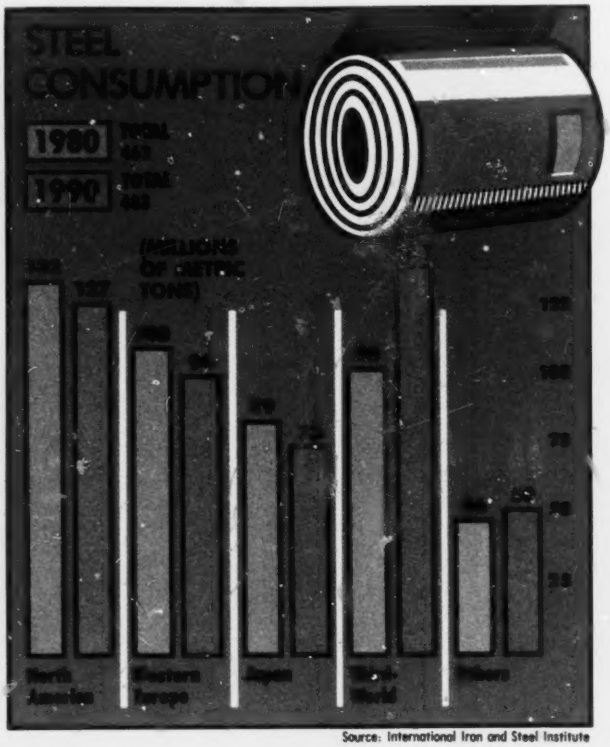
Before the Justice Department moved against LTV-Republic, it appeared that the number of major steel companies would be reduced by mergers to three or four by 1990 versus eight today. Indeed, antitrust and steel industry experts believe that mergers are still possible, but with smaller firms, not among industry leaders *(see page 55)*.

Where mergers were not allowed, Antitrust Division chief J. Paul McGrath, who acknowledged that "the American steel industry is in a state of crisis," suggested other ways the companies might improve their prospects: "intercompany sales or exchanges of raw materials, fuel and semifinished products . . . reshuffling or consolidating plants and operations now under separate ownership." Achieving any of this, he added, might require "multiparty or industrywide negotiations." To even the most casual observer, this suggestion seems to open the door to possible collusion, a no-no in any Justice Department. McGrath recognizes that possibility, but offers to provide guidance in avoiding problems.

Whether it's really possible to keep the collusive nose from under the tent is open to question, but assuming it is, here are some of the alternatives to merger:

Joint ventures: Bethlehem Steel and Inland Steel announced one only in January. They will share technologies to develop electrogalvanizing methods to meet auto industry requirements. This is an R&D venture. But steel analysts can suggest a number of production arrangements. U.S. Steel has a mill in Gary, Indiana that produces semi-finished steel and National has a finishing plant in Portage, Indiana. The





Source: International Iron and Steel Institute

two could work together, with U.S. Steel supplying the semi-finished product that the National plant currently receives from other National plants in Granite City, Illinois and Ecorse, Michigan. "It would save $20 a ton in freight alone," says analyst David Healy of Drexel Burnham Lambert.

Intercompany sales or swaps for supplies: It's not uncommon for one company to buy slab from another. Other deals could be struck. For example, J&L has significantly cut back its commitments to buy iron ore, so it might buy supplies from Republic, which has an excess. However, some companies say they would be reluctant to make intercompany sales of products close to the final stage because the closer one gets to that stage the more information they would have to reveal about specifications, plant schedulings, customer needs and the like. Such information could be used competitively—or, ironically, it could also be used collusively.

Selling or swapping mills: Before LTV and Republic announced their proposed merger, industry observers speculated that LTV might be interested in selling some of its electric furnaces; a possible buyer, they said, was U.S. Steel. A major problem with this technique, of course, is that many of the mills that might be offered for sale or swap might not be the most modern.

Although McGrath didn't mention the possibility, other steel experts see another development in the aftermath of his antitrust decision: increased investment by foreign companies in American steel operations. The trend is already underway. In the most recent and widely publicized deal, Japan's Nisshin Steel Co. bought 10% of Wheeling-Pittsburgh Steel.

Whatever route the steel companies take, the restructuring will be slower and "a lot more painful," notes Robert Crandall of the Brookings Institution. "Companies that have merged are financially more capable of closing down facilities and taking write-offs than are the unhealthy companies or just one company on its own. They also have, together, more pieces of a puzzle to play with in determining what products, plants and processes they wish to keep and which ones they wish to close down or make more efficient."

While the major companies continue to cut their capacity in the years ahead, the small, non-union mini-mills, which have sprung up all over the nation over the past decade, will take a bigger bite of the steel business. The mini-mills, most of which can produce at least 500,000 tons of steel annually, use electric arc furnaces and can be built for between $300 and $400 per ton of annual capacity compared with $2,000 per ton for the larger facilities.

About 75-to-80 mini-mills are now being operated by about forty companies, and many more are planned. These mini-mills are capturing an increasing share of the bar, rod and wire business from both big U.S. and foreign firms, and they are now going after the structural steel market, where soft demand has caused some of the large firms to close facilities.

To tap the structural market, Chaparral Steel Co. has a 1-million-ton mill at Midlothian, Texas; Bayou Steel Corp. a 500,000-ton facility at La Place, La.; and Ohio River Steel Corp.

just brought onstream a 400,000 ton mill at Calvert, Kentucky. Given the average of just over 4 million-ton shipments a year during the past several years, this nearly 2 million added capacity could make the minis a major player in structural steel.

Moreover, the mini-mills have all but taken over the bar market. For example, they now hold 75% of the market for both rebars—small bars used to reinforce concrete—and bar-sized light structural steel. Between 1976 and 1980, average annual mini-mill shipments represented 13.8% of total U.S. steel shipments, with 11.8 million tons. It is estimated that their share of the U.S. market will rise to 25.1% by 1990 and 34.6% by the year 2000 *(chart, page 55).*

The reasons for the mini-mills' spectacular success are many. Their labor cost per ton runs between $70 and $90, compared with $85-to-$175 for the unionized major steel firms. Because the mini-mills make only a few simple products, productivity is higher, as is capacity utilization, because production runs are longer.

Latecomers to the U.S. steel business, the mini-mills employ some of the most modern, sophisticated and efficient equipment and processes available, which further cuts production and labor costs. Mini-mills use scrap as their raw material, which costs less than the iron ore used by the big steel mills; the large mills are unable to switch to scrap because they are tied into long-term ore contracts. Energy costs run about $40 a ton for mini-mills compared with $90-to-$100 for the integrated mills, because these mills use the more fuel-efficient electric furnaces. Transportation costs are also lower, because the mini-mills are built closer to both the source of scrap and their customers.

As the mini-mills step up their capacity, the big integrated firms both in the U.S. and overseas are cutting back. This is largely due to forecasts of lackluster demand in the years ahead. Steel consumption by the non-Communist nations fell from 463 million metric tons in 1980 to 394 million metric tons last year, but will rise slightly to 418 million in 1984 and return to about the 1980 level the following year, according to estimates compiled by the General Secretariat of the International Iron and Steel Institute. By 1990, though, steel consumption for these nations will be only 483 million metric tons—with a 19 million ton decline in the industrialized nations offsetting a 39 million ton rise in the developing countries.

While worldwide steelmaking capacity is expected to drop, it will not be enough to offset the decline in demand. By 1990, the report estimates, the U.S., Western Europe and Japan will all have pared their capacity, but the developing nations will almost double theirs to 112 million metric tons. That means that while total non-Communist steel capacity will be between 575 and 610 million tons in 1990—hovering about the 1980 level of 595 million—demand will exist for only 483 million tons.

A number of factors account for this lackluster projected steel demand,

Who Makes What

The mini-mills now dominate such steel specialties as bar, wire and rod, while all the majors except Inland still make sheet.

Product	Domestic Shipments (1,000's of tons)	Imports (1,000's of tons)	U.S. Steel	Bethlehem	LTV	Armco	National	Republic	Inland	Wheeling-Pittsburgh	Mini-mills
Structural Steel	3,190	1,445	✓	✓	X	X	X	X	✓	X	moving into the junior-sized structural steel market
Bar	11,666	974	X	X	✓	X	X	✓	X	X	supplies an estimated 75% of the market
Plate	3,832	1,003	✓	✓	✓	X	X	X	✓	X	X
Wire	1,384	872	X	X	X	X	X	X	X	X	supplies an estimated 75% of the market
Sheet: cold-rolled	1,3781	2,417	✓	✓	✓	✓	✓	✓	X	X	X
hot-rolled	1,1619	2,317									
galvanized	6,434	1,824									
other	2,957	452									
Rail	633	108	X	✓	X	X	X	X	X	✓	X
Pipe and Tube	3,240	2,861	✓	X	✓	X	X	X	X	X	moving into pipe & tube market
Rod	2,886	1,185	X	X	X	X	X	X	X	X	supplies an estimated 75% of the market

A (✓) indicates the company makes the product, while an (X) indicates it does not. The figures are for 1982.

particularly in the U.S. Two of the biggest steel consumers—the auto and appliance industries—are using less steel and lighter steel products. A growing volume of finished industrial and consumer products, running the gamut from subway cars to wristwatches, is being imported into this country. These products quite obviously are made from foreign steel.

Moreover, while corporate capital spending is expected to increase in 1984 and 1985, a smaller percentage of the money spent by American firms will go for steel than in the past. U.S. firms will be purchasing productivity-enhancing equipment such as computers and electronic controls for their factory lines already in place.

The domestic steel industry has been in decline for almost forty years, ever since the end of World War II when its share of the non-U.S. market began declining as Japan and Europe rebuilt their industrial bases. The year 1959 was, in fact, the last in which the U.S. was a net exporter of steel. Since then, foreign steelmakers have taken bigger chunks of the world and U.S. markets. First the Europeans, then the Japanese and finally, in the late 1960s, the Third World began stepping up steel production. For instance, while worldwide production rose 35.7% from 1968 to 1978, Brazil saw its annual steel production nearly triple from 4,908,000 tons to 13,454,000 tons. Moreover, Brazil sold 292,683 of its 13,454,000 tons of steel in the U.S. By 1982, Brazil was selling 604,636 tons in the U.S., or 3.6% of total imports.

And 1983 was just a spectacular year for the Third World nations selling in the U.S. market. South Korea beat out West Germany for the Number Two spot—behind Number One Japan. During the first half of 1983, imports from Mexico rose 853%, Taiwan 40%, Brazil 33.8% and South Korea 26.4%, while imports from Japan fell 43.8% and from the EEC countries 45.2% from the year-earlier periods. In fact, imports from developing nations accounted for some 42% of all United States imports last year.

As Big Steel's Roderick Sees It

To obtain his views on a wide variety of issues affecting the steel industry, Midwest Editor Lynn Adkins spoke with U.S. Steel Chairman David M. Roderick in his baronial office in the company's Pittsburgh headquarters. Here is how the steel industry's top executive sees it:

- ***On the trade deficit:*** **When the Reagan Administration came into power the deficit was just about zero; it is going to be a $100 billion or more in 1984. The government has been remiss in not effectively dealing with the problem. If government is not responsible for its own currency value, then I don't know what the function of government is.**
- ***On imports:*** **Nine out of ten tons of steel coming into this country today are being dumped. They are coming in below cost. Foreign governments are going to continue to sell those products at whatever price they can get because they have no need to make a profit. It is not even an objective for them. They are all price-fixers.**
- ***On the high cost of modernization:*** **To replace 10% of U.S. Steel's capacity of about 30 million tons would cost about $6 billion. That is more than the $3 billion-to-$3.5 billion that our total stock is selling for.**
- ***On U.S. Steel's retrenchment:*** **We have given up 90% of our capacity in the rod business and most of our less sophisticated bar business. We have cut the number of administrative people by 41% and our nonemployment administrative costs by 30%. We think we have things in place that are going to get us to about the 50% breakeven point.**

To fight back, American steelmakers have been revamping the basic structures of their companies. According to most analysts and executives, the massive restructuring began in 1977, some eighteen years after the U.S. became a net importer of steel. Indeed, by 1984, the major American steel firms had lopped off some 25 million tons of capacity. Offsetting that has been the addition of between 10 million and 15 million tons by the mini-mills.

U.S. Steel will have reduced its capacity some 12 million tons, from 38 million tons in 1977 to about 26 million tons, when all the company's previously announced closings have been completed next month. During that same seven-year period, Bethlehem cut its capacity from 25 million to 17.5 million, reducing the number of blast furnaces it operates from 22 to 6, and National Steel halved its capacity to 6 million tons.

Other capacity reductions took place as a result of mergers. For example, when LTV's Jones & Laughlin steel unit merged with Youngstown in 1978, the move eliminated some 2 million tons of duplicate capacity.

Not only have the big firms scaled back their operations but they have selected specific segments of the market to serve, while abandoning other segments where they do not have a cost or technology advantage. "In the last five years, U.S. Steel, which had been by far the largest rod producer and the largest wire producer for literally decades, virtually got out of the wire business and gave up more than 2 million tons of rod capacity," says Roderick. "The competition from overseas and from the mini-mills was so severe and our costs were too high in relation to them."

Thus, rather than being supermarkets, the nation's big steel companies are opting to become boutiques. To be sure, the major companies will maintain capacity to make basic steel, from which they manufacture their specialty products. Still, many have formed, or are exploring, links with foreign steelmakers to obtain slab steel. U.S. Steel tried, but failed, to forge a link with British Steel for cheaper slab. Others have been more successful. Wheeling-Pittsburgh is in talks to buy slab from Brazil, following the lead of tiny Lukens Inc., which signed a long-term pact early last year to buy Brazilian slab. Analysts estimate Lukens is getting its slab for $40 per ton below what it could produce it for in the U.S. Ford Motors' Rouge Steel operation is buying slab from West Germany's Thyssen AG.

Both the developing and industrialized steel nations want to secure such links because it assures them an outlet for their product and serves as insurance if Congress votes further curbs on imports of finished steel.

As they scale back capacity, the nation's big steel firms are scrambling frantically to modernize their remaining plants. Continuous casting is the most frequent form of modernization. It is a more efficient method of casting that actually requires less steel. While about 95% of Japan's steel is continuously cast, only 55% of the U.S. industry will be using this method by 1986. The upgrading process will continue into the next decade.

On the labor front, the industry has extracted significant concessions from the United Steelworkers. Further concessions will be much harder to come by, though, as the firms begin to turn a profit and labor once again itches for a share of the prosperity. The shutdowns have permanently eliminated some 250,000 union jobs since 1977. The white-collar ranks have also been pruned by 96,000.

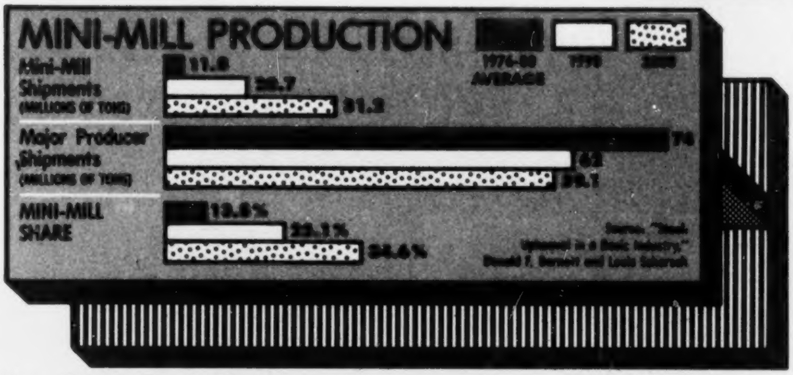
The result of all this slashing and reshaping will be a healthy level of profits, barring some unforeseen disaster such as another major worldwide recession. After amassing losses of more than $5 billion in 1982 and 1983, the nation's steelmakers are set to return to profitability this year and next. Some, such as National, turned the corner last year. Most in the industry will begin to report black ink in the next quarter.

But the profits turnaround will not be sustainable unless the industry further pares capacity by 10% by the end of the decade. U.S. Steel and Bethlehem will probably require another round of major shutdowns to eliminate some plate, bar and structural steel capacity. Inland and Republic may also be forced to close some of their capacity in these segments, but such shutdowns would be considerably smaller than those of the Big Two.

The wisdom of diversification is a hotly debated subject within and outside the industry. David Roderick staunchly defends his company's decision to plop down $6.3 billion to purchase Marathon Oil. He notes that the money for the acquisition came from U.S. Steel's non-steel operations, and was designed to give shareholders the best return on their money. Steel profits and cash flow should be used for the steel operations and non-steel profits, and cash flow should be plowed back into those businesses, in Roderick's view. "We have no intention of using Marathon's profits to finance the steel business," he says.

The ultimate success of the American steel industry's attempts to correct its past mistakes and pursue a new path to profits will depend on continuing the ongoing restructuring started in 1977. This includes plant shutdowns, mergers and specialization that must be accompanied by billions of dollars in capital investment. If the companies don't do all these things, the industry will resume its long-term decline. But most industry observers are betting that the steelmakers have learned their lesson the hard way and will do what has to be done.

—Lynn Adkins



Source: "Steel: Upheaval in a Basic Industry," Donald F. Barnett and Louis Schorsch

Why Trustbusters Nixed the Deal

The major problems in the proposed LTV-Republic merger are carbon and alloy sheet and stainless sheet and strip. The combined companies would be the largest domestic producers of both, notes the Justice Department, with 22% of the carbon products and almost half the stainless.

The companies argue that imports should be considered when calculating market shares and degrees of concentration. But Justice excludes imports from countries that are subject to quotas. The department was saying in effect: you can have big mergers or quotas, but not both.

LTV, still interested in merging, is trying to see if it can accommodate the department's objections, but concludes that the task is "very difficult."

Steel industry mergers are still possible, according to antitrust specialist Robert Pitofsky, dean of the George Washington University Law School. But if a U.S. Steel or an LTV wants to merge, the other producer must be much smaller than Republic or National.

There's one other possibility—that the Antitrust Division, pressured by other Administration officials angry about the division's move, will modify its objections.

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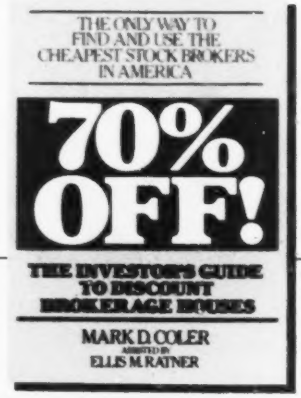
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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(1/31/84) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$19.60/share	$ 9,949	$11,669
per cent change		−5.1%	+16.6%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$99.94	$10,094	$ 9,667
ACCUMULATED INCOME		$ 98	$ 940
TOTAL		$10,192	$10,807
per cent change		+1.9%	+8.0%
Money Market Fund	8.80%	$10,074	$10,865
per cent change		+ 0.7%	+8.6%
Gold (Krugerrands)	$395.00/oz.	$ 9,777	$ 7,424
per cent change		−2.2%	−25.8%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$82,400	$79,200	$80,500
per cent change		+4.9%	+ 2.6%
New House	$93,000	$94,800	$88,900
per cent change		−1.9%	+ 4.5%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

is a classic hidden asset play, according to McCabe. Its book value of $100 per share doesn't begin to record its 1.5 million acres of timber, 1 billion tons of coal and 39 barrels per share of proven oil reserves. He values Burlington Northern's assets at $150 per share, minimum. In contrast, the stock recently traded at 89. Meanwhile, the company is enjoying sharply improved returns on equity. From a low of 5.8% in 1978, Burlington Northern's ROE rose to 10.5% last year and could approach 13% this year, according to Banker's Trust. Such a performance would produce an earnings gain of 36% this year.

"Most investors buy auto stocks in the early stages of recovery and sell them now, but we think that the cash flow generation and reinvestment rates for Ford Motor Co. and General Motors Corp. will stagger the average auto analyst," McCabe says. Bankers Trust estimates that GM's earnings per share will climb from $11.86 last year to $17.50 this year and $20.50 in 1985. And cash flow will grow more: from $28 a share last year to $34.50 this year and $38.50 next year. Stockholders' equity will also rise from $62 a share in 1983 to $95.50 in 1985, according to Bankers Trust's projections.

Ford Motor will similarly see earnings soar from $9.50 per share in 1983 to $17 a share in 1985 and cash flow per share jump from $22.30 last year to $32 in 1985, according to McCabe. He believes that current prices of GM and Ford common stock don't reflect these prospects.

U.S. Steel is a hybrid company, oil and steel, but it is undeservedly out of favor with portfolio managers because it is viewed as a steel company, according to McCabe. But he sees it as an oil company, noting that Marathon Oil produces the larger part of its earnings. He also believes that Big Steel's ROE will swing from negative to better-than-average. He projects an ROE of 13.2% this year and 18.1% in 1985.
—A.H.

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CEOs Lambaste Reagan Budget

DUN'S BUSINESS MONTH

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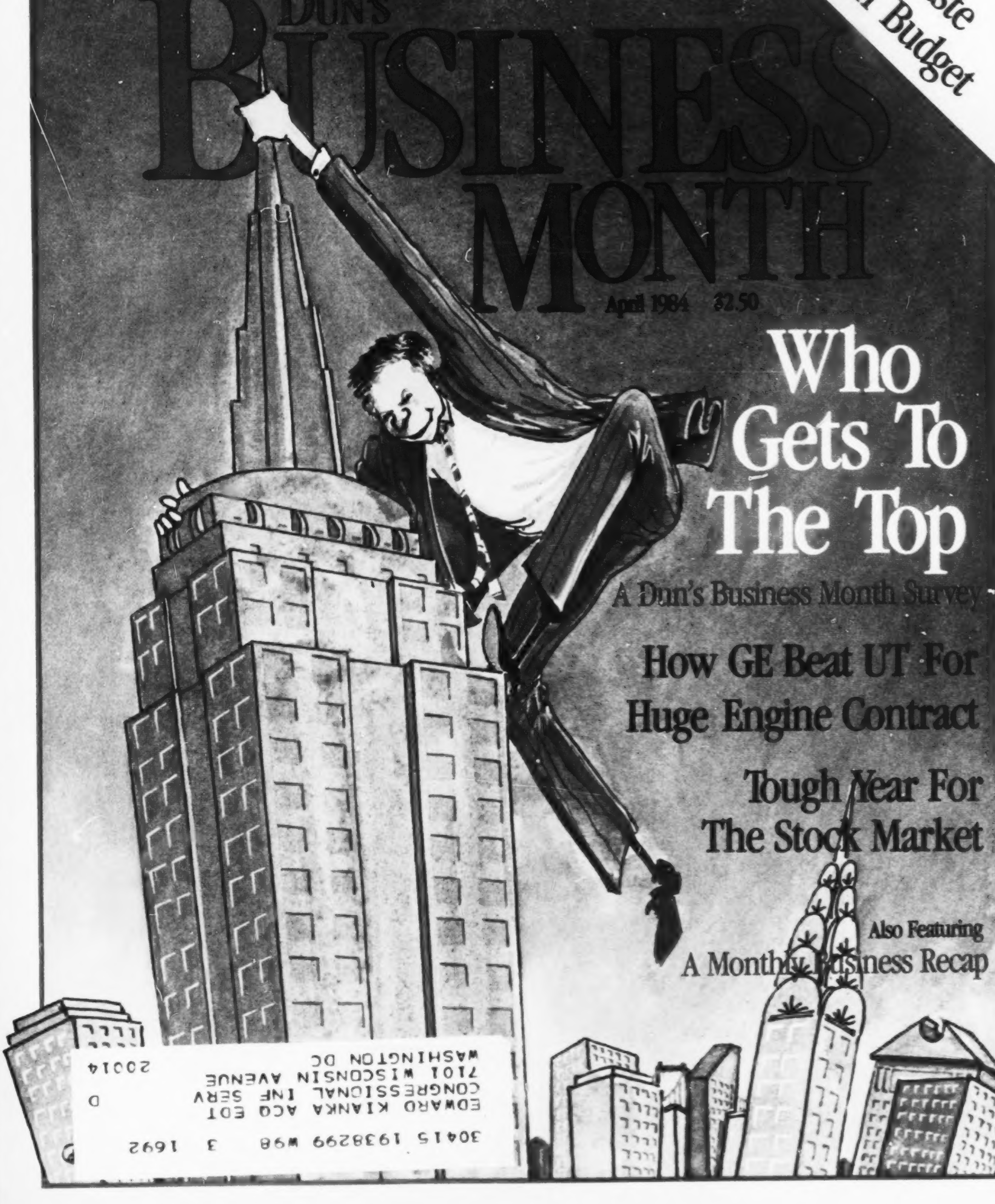

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The Long Haul To the Top

A DBM survey reveals that in picking CEOs, companies are returning to the old values of long service and knowledge of an industry.

The time-honored route to the summits of corporate America—hard work, loyalty to the company and decades-long staying power against competition—remains intact. Be it a tradition or an anachronism, the old boy industrial network provides the vast majority of chief executive officers, according to a Dun's Business Month survey of 237 of the largest U.S. corporations.

The succession process, which executives admit is far from precise at many major companies, seems to reflect the old-fashioned value of paying one's dues to an industry. The trends toward appointing financial, manufacturing, legal or marketing men as CEO may come and go, but there is an undying allegiance in corporate America to the man who puts in his years for one industry and, more preferably, one company. The DBM survey reveals that seven out of every ten of today's crop of chief executive officers have served their companies at least 20 years, more than half their working lives; one-quarter have racked up 35 or more years with their respective firms. Two-thirds of the survey respondents have worked in only one industry, and more than 40% for just one company (*see charts, page 57*).

Not too long ago, the mobility of CEOs among companies and industries was more popular, reflecting a societal appreciation of the creativity and innovation presumedly spawned by diverse backgrounds and experience. This trend reached a peak in the 1960s, when fewer than 50% of chief executives could claim more than 20 years with the companies they were running.

But that trend began to reverse in the 1970s. As American economic fortunes moved from bad to worse during two severe recessions in the past ten years, the pendulum of management selection has swung increasingly toward old-style solutions to current industrial woes. By the Eighties, corporate America had decided that creativity could be sacrificed for the competence supposedly produced by total immersion in an industry, and holding too many jobs during a career became a detriment to an executive's upward mobility.

Reversing a trend

It is a harkening back to the 1950s period of American industrial supremacy, according to Michigan State University management professor Eugene Jennings: "We are going back to the motherhood that nourished us so well." Adhering to a seniority system in management selection stems from a need for security and predictability as well as from a search for competence, according to New York University Business School Dean and former American Can CEO, William May. Companies know how to work with executives reared within their ranks, who understand corporate cultures and how to survive and grow within them, May says. "The guy from the outside has to be 133% better before a company should consider recruiting him as a top-level executive," he adds.

Not everyone approves of the current overwhelming preference for insiders. Former Bendix CEO William Agee blames inbred, insular leadership for many of the bad management decisions made in the past decade, when overoptimistic expectations of long-term growth led many companies to maintain high production rates, invest in unnecessary capacity and fail to take a hard-line on ever-increasing production costs. Many of these decisions were made in the mature in-

dustries by executives who were industry offspring," he says. "You see this in steel, metals, rubber and other smokestack industries. It was not obsession with short-term results that did them in, but the inability to step back and make a fresh appraisal of the expectations for growth and what trends would have an increasing impact on their industries."

Richard Pascale, author of the 1981 best-selling book, *The Art of Japanese Management*, agrees that the danger of producing an inbred, myopic management exists when a company is committed to promoting from within. But the problem, according to Pascale, stems from the institutional fix of a company and not necessarily the seniority of its management. "A company must be obsessive about all facets of its operations if it is to stay in touch with the marketplace," Pascale says, "It must constantly question the way things are done and listen to customers."

In companies that are "obsessive," promoting from within can still produce a senior management that is self-questioning and receptive to change. "You cannot depend on an outsider to turn around a company," he says.

Whatever the theoretical pros and cons, fewer and fewer companies today search farther than their own backyards for CEOs. Only a major tremor in a company's foundations prompts it to look outside to find a leader or a capable Number Two who can be groomed for the top job. The executive search may reflect the firm's own failure to mold competent potential successors, as it was with RCA Corp.'s recent recruitment of Robert Frederick, a former General Electric man, as president. The task of rebuilding the succession order was CEO Thornton Bradshaw's primary goal for his tenure. Bradshaw, formerly Number Two man at Atlantic Richfield and an outside member of the RCA board, tried to pick up the pieces of a shattered management after the 1981 dismissal of CEO Edgar Griffiths, who became known for being a hard man to please when it came to seconds-in-command.

"Urged" resignations

Outside recruiting can also be generated by a disenchantment with the current chief executive, resulting in a premature vacancy at the top. In the stormy days of the recent recession, dismissals or "urged" resignations became acceptable alternatives for many boards of directors, who normally attempt to avoid the unsavory publicity that accompanies such acknowledgments of a company's troubles. Between 1974 and 1984, the average annual number of top-level resignations—most often prompted by failure to cure company ills or to prevent them—more than doubled from 4.1 to 9.8, according to statistics compiled by Professor Jennings. The list of fallen leaders grew with names like Robert Abboud of First Chicago Corp., Archie McCardell at International Harvester, Griffiths of RCA, Morley P. Thompson at Baldwin-

United, John Riccardo of Chrysler and Roger Anderson of Continental Illinois.

Not only is the frequency of internal tremors increasing, companies also must cope with mounting external assaults stemming from deregulation and the internationalization of markets.

Whether hurt by internal or external forces, floundering companies frequently look to outsiders to make their hard decisions to redeploy assets, renegotiate labor contracts or sack executives. Recruitment of C. Edward Acker at Pan American, McCardell at International Harvester, Lee Iacocca at Chrysler and John Breen at Sherwin-Williams are examples where problems of the moment inspired company choices.

Breen joined Sherwin-Williams in 1979 at the age of 45 as its chief executive officer. He had been brought in from battery-maker Gould Inc., where, after five years, he was an executive vice president. His assignment: to turn around losses that forced the world's largest paint maker to cancel its dividend at the end of 1977. Breen followed on the heels of an industry man, Walter Spencer, who headed Sherwin-Williams between 1971 and 1978, and the two-year transition leadership of a company director, William Fine. Breen reorganized top management, hired new middle-level managers, dropped losing product lines and attacked excessive administrative and production costs. The result of Breen's leadership was the desired turnaround. The company's earnings jumped from $1.06 a share in 1980 to $2.32 last year. Breen also restored the dividend in 1979 and doubled it by 1983.

All recruitment stories do not have a happy ending, as demonstrated by the case of Archie McCardell, the second-in-command at Xerox who was lured to Harvester in an attempt to stage the proverbial turnaround. Inexperienced in labor relations, McCardell embroiled the farm equipment company in massive labor disputes that led to problems with the National Labor Relations Board. In addition, he was never able to sell enough equipment to reverse the company's failing financial fortunes.

Changes in the marketplace due to deregulation have shifted the focus at many firms.

The changes in the marketplace due to deregulation and other developments have shifted dramatically the focus at many corporations, in most cases calling executive skills into play that were at other times downplayed. For deregulated industries like telecommunications, marketing men are gaining prominence in succession schemes, and speculation has already begun about the role of marketing skills in the choice of a successor to Charles Brown at AT&T, who will reach 65 in two years. Ten years ago, Ma Bell recruited marketing expert Archie McGill, a former IBM vice president who was then running his own telecommunications firm. McGill was to teach AT&T executives the realities of competition. But when the dust settled from a recent reorganization, McGill was left empty-handed in terms of a top-rung post in the parent company and quit. Those who follow the company believe McGill still was running his AT&T division the IBM way, which didn't particularly suit the AT&T corporate culture.

Rise of marketing men

Although none has become chief executive thus far, marketers are making rapid advancement through the ranks of the financial services industry, which has seen a dramatic proliferation of products, services and competition in the past ten years. The larger and more foresighted of the financial institutions began looking to the consumer goods companies for executives with advanced marketing skills, says John Mirtz of executive recruiter Byrnes Elsom Mirtz Morice. "Some of the placements were successful; many were not, because the executives from the packaging goods industries were kind of fish out of water," he says. "But the executives who stayed are moving up the line."

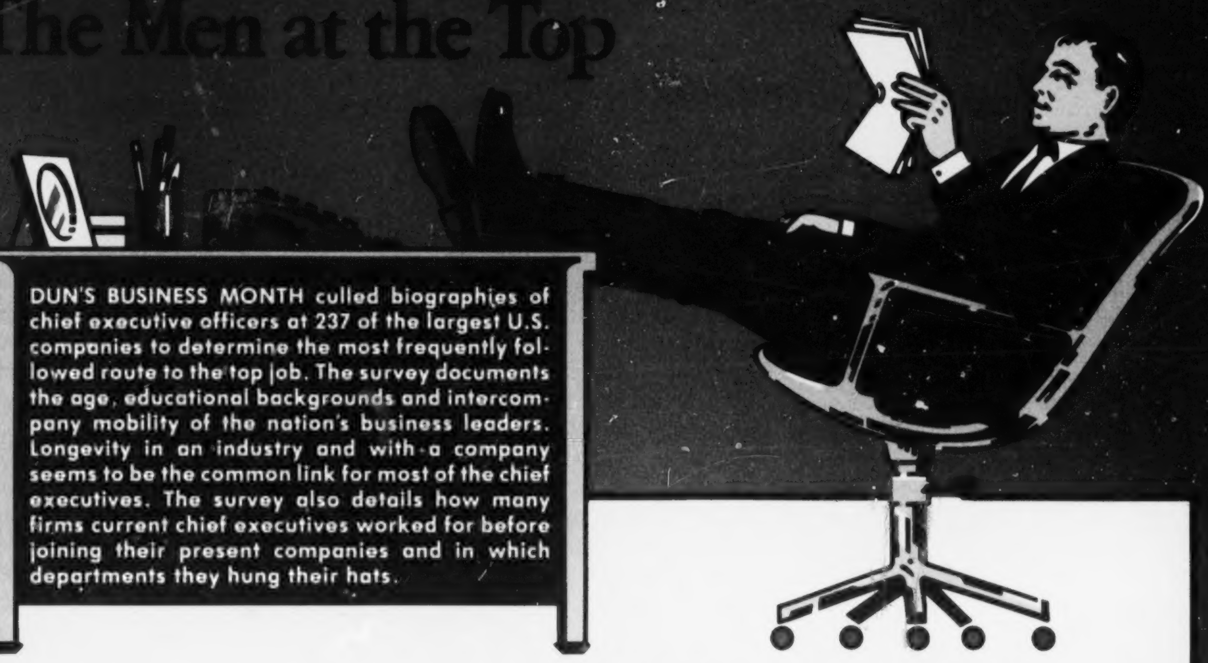
Citicorp was among those with the most aggressive recruiting program for marketers, and one of its biggest suppliers was General Foods. Currently, Citicorp's senior vice president of product development, Pei Chia, vice president of product development Richard Evans and executive vice president Richard Braddock are General Foods alumni; so is the head of American Express gold card services, Frank Partel, and Bank of America senior vice president Charles Rand. The head of Citicorp's international division, Richard Kovacevich, is a General Mills alumnus.

Mirtz believes it is only a matter of time before marketers move to the very top level. "It won't be apparent in the next five years, perhaps. But after that, these people will be reaching the highest level of management," he says.

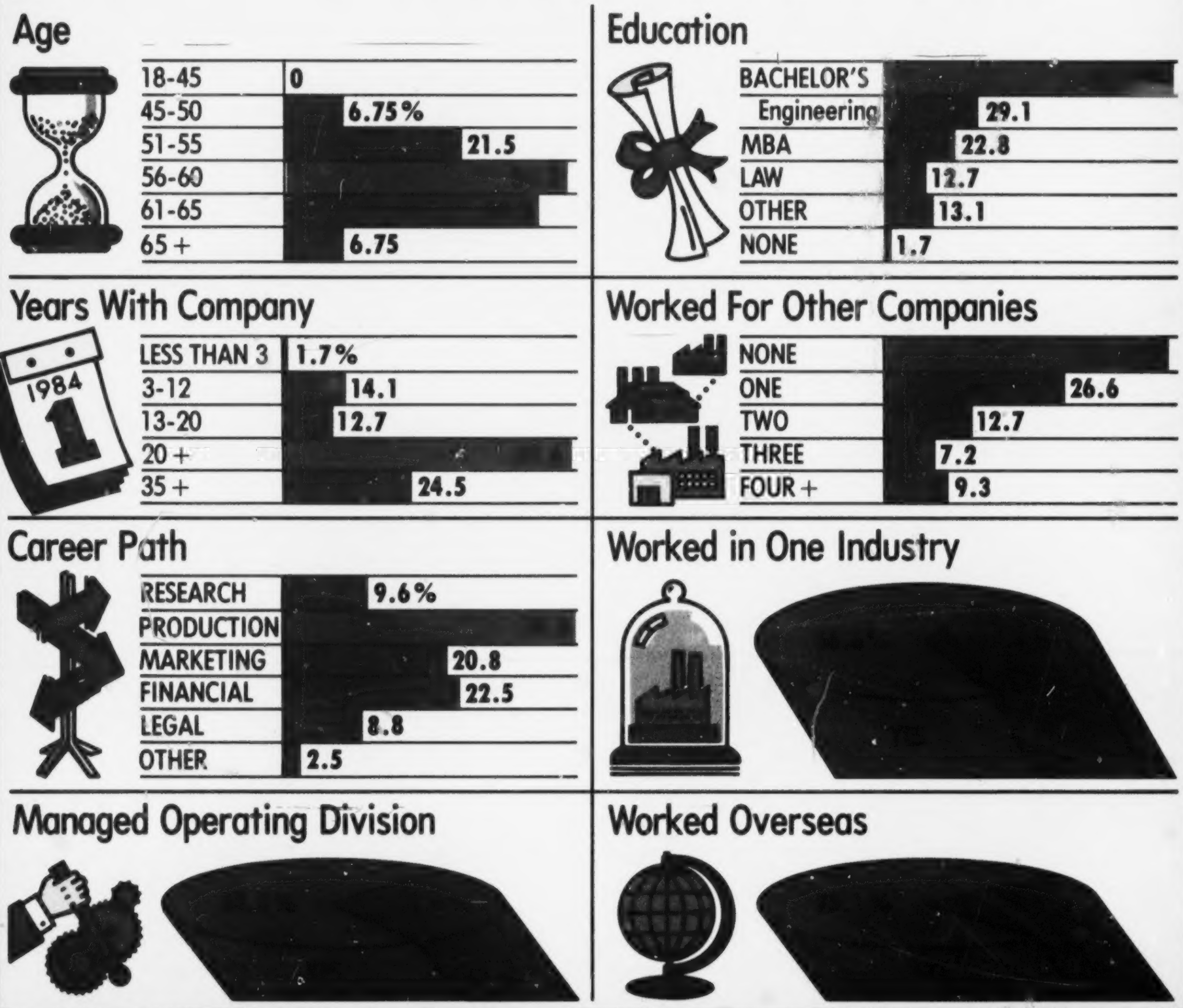
The airlines industry is another deregulated industry that has a greater appreciation of those with market training. Because of the mixed bag of woes facing the industry, which included skyrocketing costs, financial men like Pan Am's C. Edward Acker have been popular as well. But at American Airlines, President and Chief Operating Officer Robert Crandall is a marketing man. This emphasis on marketing has been even more apparent at the smaller, regional airlines like New York Air and Midway, Mirtz says.

Young industries, such as the personal computer industry, share the same need for marketing men. Companies that technologists founded ten years ago in the basements of Cambridge, Massachusetts, have grown enough to bump heads with IBM and Texas Instruments. The largest and most competitive of this generation of companies are reaching out to the consumer goods firms to find marketing leadership. For Apple, it was John Sculley of PepsiCo; for Atari, James J.

The Men at the Top



DUN'S BUSINESS MONTH culled biographies of chief executive officers at 237 of the largest U.S. companies to determine the most frequently followed route to the top job. The survey documents the age, educational backgrounds and intercompany mobility of the nation's business leaders. Longevity in an industry and with a company seems to be the common link for most of the chief executives. The survey also details how many firms current chief executives worked for before joining their present companies and in which departments they hung their hats.



What Directors Seek in CEOs

What qualities do directors look for when choosing a chief executive these days? Here is what several of them told Dun's Business Month:

- "Above all, the CEO must have the ability to relate to people, both within the organization and outside. He is no longer just running plants and selling goods. Today, he is a quasi-public official, who needs as much skill in dealing with people as any Senator."—Irving Shapiro, former chief executive of E.I. du Pont de Nemours & Co., now a practicing lawyer and a director of Citicorp, IBM, Boeing and Hospital Corp. of America.
- "More than ever, his job is to be Mr. Outside, while the chief operating officer runs the store."—Gardner Heidrick, veteran recruiter and director.
- "He must be able to delegate and not lose control. To do that, he must organize the whole management so that everybody knows his own responsibilities. He must back his people to the limit as long as they produce. But when they fail—bingo!"—J. Keith Louden, a veteran of 26 boards.
- "He recruits well, trains well, delegates authority, establishes a simple but sound system of rewards and penalties, a simple but sound system of evaluation and communication, challenges people to do things and then gets out of the way."—Donald MacNaughton, former CEO of Prudential Insurance Co., now chairman of Hospital Corp. of America and a director of Exxon, Johnson & Johnson and Prudential.
- "You want a man with a track record of successes and failures, not a staff man who has just made recommendations for others to carry out."—Robert Lear, former CEO of F&M Schaefer Brewing Corp., and now a member of several boards and a visiting professor at Columbia Business School.
- "He must first of all be a leader and a communicator. He must be able to measure the performance of others objectively. He must devise a corporate strategy, must serve as a trustee of the shareholders' assets and must recognize and accept change."—Gerald Hildebrandt, a veteran of 25 boards.
- "He should be a generalist, with a liberal arts background rather than an MBA. Business school education is all right, but it becomes mostly irrelevant twenty years later."—E. Pendleton James, former director of staffing for the Reagan White House, now a recruiter of CEOs and directors and himself a member of several boards.
- "If it comes to a choice between intellect and street sense, I'd take the latter every time. Of course, the best CEO of all is the one who combines the two."—William T. French, director of Burlington Industries and other companies.

Morgan, a former Philip Morris executive.

For the top U.S. moneymakers, however, marketing executives don't hold the appeal they did in the late 1950s and early 1960s. Dun's survey shows marketing to be the initial training area for 20.8% of the current CEOs—outpaced by those with backgrounds in finance (22.5%) and manufacturing and operations (35.8%). "The large industrials are more mature industries," says Agee, explaining the preference. "These companies need executives who can deal with the problems of redeployment of assets, diversification, increasing productivity and maximizing profits."

Columbia University Business School Dean John Burton believes the number of financially oriented executives should rise in the next several years because of industry's need to grapple with constantly fluctuating inflation rates. Indeed, with its heavy emphasis on finance, the MBA degree is the most popular advanced degree with today's chief executives; the survey shows 22.8% holding one.

Legal backgrounds are not as much in demand as they were ten years ago. Only 8.8% of survey respondents started in corporate legal services and 12.7% hold law degrees, less than hold masters or doctorates. But when legal minds are present, legal solutions to problems are often selected. Witness the case of Manville Corp. and its 33-year veteran John McKinney, who headed Manville's legal services between 1971 and 1976 and is now its CEO. When Manville faced substantial financial losses from claims of asbestosis victims, the company sought its relief in the courts through a Chapter 11 reorganization.

With promotion from within the general rule, it would appear that corporate America should have a relatively well-developed program for identifying and grooming viable candidates for the top spot. But the unfortunate consensus of corporate officers and executive recruiters alike is that too many companies have not adequately developed systematic testing and career paths for talented, aspiring executives. Too many corporations "churn out uninspired, lackluster or mediocre appointments to the top post," says Robert Lear, former chairman of the F&M Schaefer Corp., member of several boards of directors and executive in residence at Columbia University.

Uninspired appointments

Lear argues that companies often neglect the early training of talented young executives with potential for advancement. Thus in the end, says Lear, a company may wind up with top people who do not have an adequate comprehension of the basic business or have mostly a specialized knowledge of one area of a corporation.

There are, on the other hand, some companies with outstanding systems for bringing up executives. Among them: IBM, Xerox and General Electric. "If you work at General Electric, you can't get away without being aware that management succession is a big thing," comments Lear, a close friend of the current GE chief executive John Welch. "It is something discussed from the day a new young manager arrives."

And the GE system served the company well when it was ready to select a new chief executive in 1981. There were six acceptable contenders for leadership of the company, all of whom had had responsibility for a separate operating sector. In the end, one was elected chairman, and two became vice chairmen. The three who weren't chosen left GE to take Number One or Two spots at other large corporations. "Having so many qualified candidates was a luxury, one which most companies don't ever enjoy and one which many just can't afford," concludes one GE executive.

Managing a separate operating division is an integral part of the succession scheme at GE, a requirement made possible by the company's extensive diversification and its many independent operating units. And while many major corporations don't have as much opportunity to give an executive a chance to run his own show, a proven track record in an operating division increasingly is a requirement for reaching the top. According to DBM's survey, 73% of the chief executive officers installed since 1980 have managed a separate operating division during their career, versus 34.2% for those elected before them.

When a company doesn't have a qualified heir apparent, the problem is not always with the system of succession, but with the man who controls it. Many chief executives facing retirement find it hard to give up the power, explains Max Ulrich, president of executive searchers Ward Howell Associates. Many also have difficulty sharing and delegating power to their seconds-in-command—a must if these men are ever to be prepared to handle ultimate responsibility. "What comes *aprés moi* is a subject many chief executives won't deal with seriously unless really pushed by their boards," Ulrich says. "In a way, it's like planning your own funeral."

"Aprés moi *is a subject many chief executives won't deal with unless pushed by their boards.*"

A sitting CEO's reluctance to give up the job was the cause of the resignations in the last year of Thomas Vanderslice, in line for the top job at GTE, and Warren Hayford, who was promised the leadership at General Tire & Rubber Co. Sources say that both Vanderslice and Hayford had been given a timetable and commitment that the top spot would be theirs. And in both cases, the current CEOs—Theodore Brophy at GTE and M. Gerald O'Neil at General Tire—changed their minds about retiring.

"Because of age and the management structure of companies, executives only get one shot at a company to become its chief executive. After a certain age, only a twist of fate can elevate an executive," comments a friend of Hayford. "These are both men with an overweening desire to be a CEO. It doesn't really matter to them any more of what company."

Hanging on

When a company's founder or prime mover is involved, the succession process can also be disrupted—and a surprising nine of the top 100 U.S. industrial companies are still run by their founders. This is mostly because of the number of years they hang onto their creation. For instance, Armand Hammer, the man under whom Occidental Petroleum grew into a billion-dollar oil company, is 86 years old and has led the company for 27 years. Comparable spring chickens, J. Peter Grace of W.R. Grace and Ben Heineman of Northwest Industries, are both hovering around 70 years old and show no signs of stepping down. In fact, although Heineman was scheduled to quit at 70, he now indicates he could retain control of Northwest Industries for up to three more years. Apparently, this is because crown prince, 37-year-old President William Beasley, is still very young by chief executive standards. Meanwhile, Grace is the longest-lived CEO, retaining the position since 1945.

One question raised by the tenacity of some CEOs concerns the appropriate length of tenure in the top spot. Unlike U.S. Presidents, there are not limits on the terms of CEOs, except parameters that they choose to set. In past years, the average term had been about eight years. "There is a natural life to every institutional job," says George Shinn, former First Boston Corp. chairman. "Five years as CEO is probably too little to accomplish any major strategic changes or make an imprint. But anything more than ten years is probably too long."

There is mixed opinion about whether chief executives will get older or younger. Demographically, the next five years portends a younger group because of the baby boom crush beginning to percolate into top management levels. But DBM's survey indicates that the vast majority of current CEOs—almost 72%—are over 55 years old, and the need to demonstrate a proven track record before promotion almost necessitates a longer on-the-job career.

U.S. management selection philosophy, like some of the country's politics, bears the scars of a volatile, unforgiving economy. According to the experts, the choices of executives in the 1980s reflect old-fashioned values and a desire for stability. This search for stability is a worthy one, says Columbia's Burton. "We are looking ahead at a far more competitive environment. Companies are hoping to make fewer mistakes with the people they choose to lead them, and there is a recognition that companies that built from within have had a better record." The important thing to avoid, according to Burton, is building an institutional structure that mandates any one route as the only route to the top.

—PAT WECHSLER

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(2/29/84) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$ 18.95/share	$ 9,668	$11,009
per cent change		−3.32%	+10.0%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$ 96.875	$ 9,693	$ 8,964
ACCUMULATED INCOME		$ 97	$ 1,087
TOTAL		$ 9,790	$10,051
per cent change		−2.1%	+ .5%
Money Market Fund	8.72%	$10,069	$10,876
per cent change		+ .69%	+8.7%
Gold (Krugerrands)	$ 418.75/oz.	$10,601	$ 9,946
per cent change		−6.0%	− .5%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$ 80,600	$82,700	$79,300
per cent change		−9.7%	+ 9.8%
New House	$101,600	$92,900	$88,400
per cent change		+9.1%	+ 8.7%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

achieving that goal in a market so heavily dominated by IBM, according to technology specialists.

In a more recent deal, Hybritech Inc., a young biotechnology firm that is developing diagnostic kits, says in its offering memorandum that investors can anticipate an ultimate return of 4.5 times their investment by 1994. But an E.F. Hutton tax-shelter specialist claims the company will have to generate $4.5 billion in revenues by then to make good on that estimate. "It could happen," he says, "but how many success stories of that magnitude have you heard lately?"

At the very least, backers of R&D projects should recognize that they might have to wait much longer than anticipated for any returns. A case in point: Lear Fan Ltd., the successor to Lear Avia Inc., which was founded seven years ago by the late William P. Lear to develop a new lightweight turboprop corporate aircraft. Buyers are still waiting for the first deliveries of the plane, which are now nearly two years behind schedule; and backers who invested $20 million in an R&D partnership are still looking for their first payout.

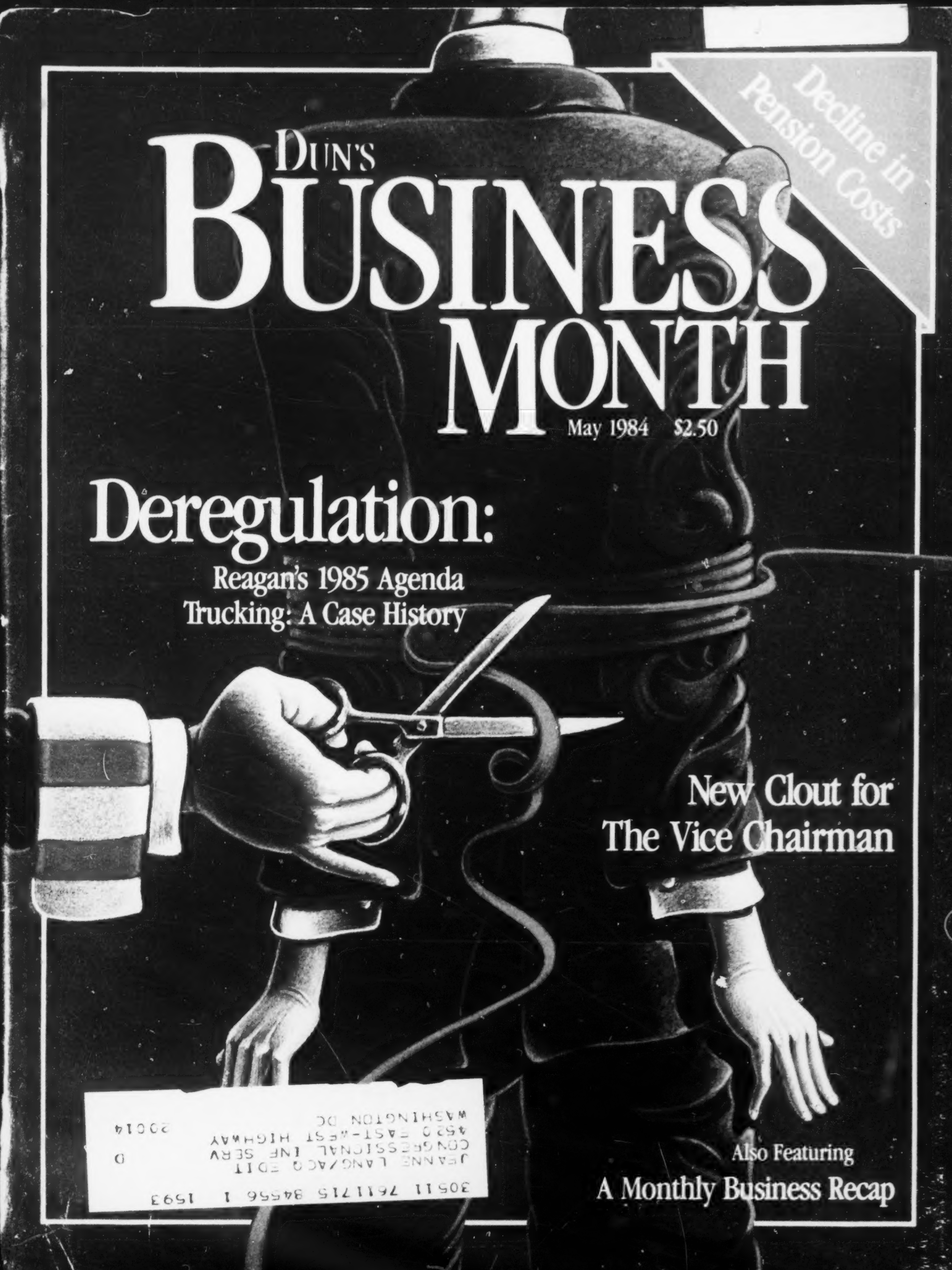
Both industry and the federal government are pushing RDLPs as an effective way to fund high-risk advanced technology. Some prognosticators expect these funds to overtake conventional venture capital deals as a financing vehicles for young companies by the end of the decade. And the Commerce Department is actively encouraging their use by larger high-tech companies.

Thus, advocates worry that publicity over project failures or abuses of investor trust could seriously retard the growth of RDLPs—or at least create a groundswell of opinion demanding increased government regulation, which would probably reduce their allure to investors. Two lawsuits are already in the works: A group of 180 investors are charging Storage Technology with fraud and demanding recovery of their $10.6 million investment plus tripled damages; and brokerage firm Bateman Eichler, Hill Richards, which organized a partnership to finance R&D at four companies, is suing one of them, Anderson Jacobson Inc., for $8.8 million for changing the direction of the research project without authorization. "The people in this business must be careful not to kill the goose that lays the golden egg," Evans-Freke warns.

Some recent trends do point to an improving environment for investors. For one thing, brokerages and venture-capital firms are offering more diversified partnership deals. Prudential Bache, for example, has set up an investment fund called Pru-Tech, which raised $25 million late last year to finance projects at four separate companies. And venture capital firm Technology Funding has two funds, Software I and II, which together have attracted $18.5 million to back projects at more than twenty companies. By mixing different kinds of projects with different payout periods, these investment pools aim to minimize the investors' risks.

In addition, smaller deals are being offered, which limits the exposure of investors and should also improve their returns. Compared with the $50 million-and-up deals of a couple of years ago, three recent offerings from major companies—Cummins Engine, Emerson Electric and Control Data—were for $30 million or less. Likewise, a number of recent offerings require a minimum investment of only $5,000 per unit. And a growing number of companies are offering investors royalties or the buy-back price in the form of company stock rather than cash, which should turn out to be more profitable in many cases, high-tech analysts believe.

Whether or not these developments take hold, it will probably be the prudence of investors that makes the difference. "The quality of R&D partnerships will go up," says Lansing Felker, director of the Commerce Department's Industrial Technology Partnership Program, "if investors refuse to invest in the poor-quality deals." —THOMAS J. MURRAY



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Letters

UNION GAINS

A quibble over your item "The Unions Fail to Deliver" (The Business Month, *March*): Union gains always lag unorganized gains during periods of recovery because of the terms of contracts. Total compensation of union workers in 1983 still exceeded gains in the unorganized sector.

MURRAY SEEGER
Director
Department of Information
AFL-CIO
Washington, D.C.

STEEL IMPORTS

I hope that U.S. Steel Chairman David Roderick was misquoted in "Has Justice Killed Steel Comeback?" (*March*) when he claimed that nine out of ten tons of steel being imported are dumped.

The two leading foreign exporters, Japan and Canada, neither of whom have been named in any dumping petition by any U.S. steelmaker, supplied 39% of the 1983 import tonnage. And EEC imports, which supplied 24%, are under restrictions.

If the industry has problems with imports from certain countries, it should deal with them through U.S. trade laws rather than try to restrict or intimidate steel countries that trade fairly with the U.S.

CHARLES BUTLER
Director
Japan Steel Information Center
New York, N.Y.

Mr. Roderick was quoted correctly in the article. —ED.

HEALTH-CARE COSTS

The impact of health-care costs on B.F. Goodrich in 1983 was staggering but not quite to the extent reported ("Companies Gain in Health Cost Fight," *March*). Total company health costs of $64 million and the reported net loss of $32.8 million belong in 1982. For 1983, B.F. Goodrich earned $18.4 million in net income and incurred approximately $66 million in total health-care costs.

RICH WALKER
Manager of Commercial Accounting
The B.F. Goodrich Co.
Cleveland, Ohio

LOW-ALCOHOL BEER

To set the record straight, Anheuser-Busch is not the first American brewery to bring out a low-alcohol beer (The Business Month, *March*). Hudepohl Brewing Co., a small brewery in Cincinnati, began selling Pace Pilsner beer, a 1.8% alcohol beer, throughout Ohio last October.

Hence, while it is true that Anheuser-Busch will be the first national brewer to manufacture this type of beer, *small* breweries can lead the industry in new products as well.

LEE OBERLAG
Director of Advertising and PR
Hudepohl Brewing Co.
Cincinnati, Ohio

CORRECTION:

The steel production table that appeared in the March issue contained some errors. The correct table is shown below. It shows the major producers of various steel products. To qualify as a major producer, a steel company must have 10% or more of the market, except in the case of sheet steel, where 5% is the cutoff. Some of the firms that don't meet the cutoff requirements in the various steel categories are nonetheless fairly significant producers. For example, Inland is a well-known producer of bar.

Product	Domestic Shipments (1,000's of tons)	Imports (1,000's of tons)	U.S. Steel	Bethlehem	LTV	Armco	National	Republic	Inland	Wheeling-Pittsburgh	Others	Mini-mills
Structural Steel	3,190	1,445	✓	✓	X	X	X	X	✓	X	Northern Steel & Wire Chaparral Steel Bayou Steel C.F. & I. Steel	moving into the junior-sized structural steel market
Bar	11,666	974	✓	✓	X	X	X	✓	X	X	Nucor Florida Steel Chaparral Steel	supply an estimated 75% of the market
Plate	3,832	1,003	✓	✓	X	X	X	X	X	X	Lukens Inc.	X
Wire Rod	1,384	872	✓	✓	X	X	X	X	X	X	Georgetown Steel Raritan River Steel Keystone Steel & Wire Continental Steel Northwestern Steel & Wire	supply an estimated 75% of the market
Sheet			✓	✓	✓	✓	✓	✓	✓	✓	Rouge Steel (Ford Motor) McLouth Steel	X
cold-rolled	13,781	2,417										
hot-rolled	11,619	2,317										
galvanized	6,434	1,824										
other	2,957	452										
Rail	633	108	✓	✓	X	X	X	X	X	✓	C.F. & I. Steel	X
Pipe & Tube	3,240	2,861	✓	X	✓	X	X	X	X	X	Lone Star Steel	moving into pipe & tube market

A (✓) indicates the company makes the product, while an (x) indicates it does not. The figures are for 1983.

Building Is Uneven—And So Is the Recovery

Construction is a major stimulant to the economy—but the pattern is ragged.

The overall economy may be marching forward, but there are stragglers who are out of step. For some regions and industries, the impact of the recovery is very uneven; within this major cycle, there are many subcycles.

Building permits offer a good illustration of this spottiness. Even within the ten cities that had the highest value of building permits in 1983, there were dramatic changes from the prior year. Houston took a 43.2% plunge, while San Diego soared 60.1% *(table)*.

Among the 200 cities surveyed by DUN'S BUSINESS MONTH, other hot spots based on the total value of building permits are San Jose, California; Colorado Springs, Colorado; and Anchorage, Alaska. On the other side of the coin, the value of 1983 building permits declined sharply in Seattle, Washington; Akron, Ohio; Washington, D.C.; Miami, Florida; and Detroit, Michigan. The regional picture is equally ragged, with the change in permits ranging from −44.1% in the East South Atlantic to +41% in the Mountain States *(table)*.

These are important trends, since building permits soon translate into starts—and housing starts typically help ignite a recovery. For example, in 1983, housing starts hit 1.7 million, up from a low of 1 million in 1981, and this in turn led to more purchases of furnishing and appliances.

Within the important building cycle, there are other subcycles. In residential housing starts, for example, most of the activity in recent months has been in multifamily units. By comparison, starts on single-family homes are sluggish. Office building starts are reasonably strong in general, but there are notable exceptions in cities that have overbuilt. The variation in permit values is illustrated by Anaheim, California, where they increased by 100% between 1980 and 1982 and only 20% between 1982 and 1983. Similarly, in Minneapolis permits doubled between 1981 and 1982 but declined 8% the following year.

As these comparisons clearly show, it's important to look beneath the broad economic indicators in order to evaluate the true strength of the current recovery. Communities where building permit values and housing starts are now booming will be enjoying the boost that construction brings through 1985 and even into 1986.

—JOSEPH W. DUNCAN

SWINGS IN PERMITS

BY REGION

REGION	PERCENT CHANGE 1981-82	PERCENT CHANGE 1982-83
New England	0.8%	−11.4%
Middle Atlantic	−10.8	−0.8
East North Central	5.1	8.2
West North Central	29.6	11.0
East South Atlantic	129.7	−44.1
East South Central	−3.0	40.5
West South Central	0.5	14.8
Mountain	−1.0	41.0
Pacific	3.8	23.1

THE TOP TEN CITIES

CITY	PERMITS 1983 (In millions)	PERMITS 1982 (In millions)	CHANGE 1982-83
Los Angeles	$2,160	$1,737	24.4%
Dallas	1,917	1,479	29.6
Houston	1,639	2,884	−43.2
New York	1,349	1,347	0.1
San Diego	1,151	719	60.1
San Francisco	1,122	1,172	−4.2
Anchorage	999	562	77.7
Oklahoma City	961	637	50.8
Austin	894	739	20.9
Phoenix	845	644	31.1
Chicago	779	835	−6.7

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The

Behind the Decline In Pension Costs

The fall-off in pension costs has a way to go. Behind it are recession-induced layoffs, hefty stock profits and more.

American Can's pension-fund costs slipped 37% in the last two years, from $90.2 million to $56.5 million.

Firestone Tire and Rubber's costs plunged 61% in the same period, from $44 million to $17 million.

And at International Paper, the drop was a dramatic 71%, from $70 million to $20 million.

Far from being isolated instances, these are but a few examples of how radically the pension-expense picture has changed for the nation's corporations. The story is the same whether measured by per cent of payroll, by the costs reported in financial statements or by the amounts that companies actually contribute each year (they have leeway to pay in more or less than the reported expense). According to a survey of 1,639 companies by Greenwich Research Associates, 1983 contributions fell $4.2 billion, or 15%, to $23.8 billion.

Pension costs have been driven down by a number of forces, including layoffs, early-retirement programs and the cooling-off of inflation. Some of the causes, such as recession-induced plant closings and a booming stock market, are obviously transitory. But others have more permanence and will affect pension costs for years to come. Among the latter are the decline in union power, the termination of many pension plans, the faster growth of alternatives to such plans and the fact that many pension plans locked in hefty investment returns during the era of sky-high interest rates. All of this has important implications for corporations, for the stock and bond markets and for the mini-industries—the money managers and consultants—that have been nourished by pension-fund activity.

Fixed-benefits passé?

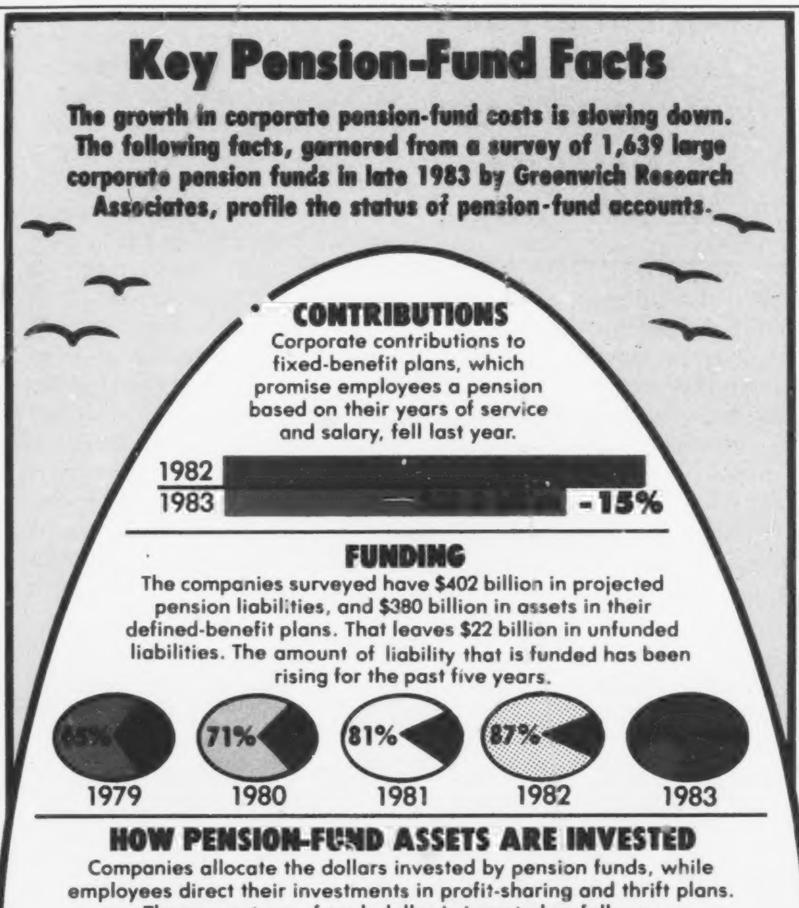
Most private pension plans promise retirees a fixed benefit based on years of service and salary, typically 50% of final pay, counting Social Security. In the 1970s, inflation drove salaries, and consequently pension costs, up unrelentingly and uncontrollably, and these fixed-benefit plans became increasingly unpopular with employers.

After the passage of the Employee Retirement Income Security Act (ERISA) in 1974, many small and medium-sized employers terminated their plans—claiming that the new law raised administrative costs and paperwork to unacceptable levels—and the growth in new plans slowed sharply, notes Dallas Salisbury of the Employee Benefit Research Institute, a Washington, D.C., think tank. For example, almost twice as many fixed-benefit plans were terminated as were started in 1976.

The formation of new plans has fallen so sharply that many insurers, including the giant Equitable Life Assurance Society of America, have quit the business of designing and servicing plans. MONY is another dropout. Executive Vice President Gordon Perry reports that MONY acquired only five new accounts in 1982. So after 25 years in the pension service business, MONY resigned the 3,000 small and medium-sized accounts on its books.

Moreover, the unions, which fought for and won a steady tide of improvements in fixed-benefit plans during the 1960s and 1970s, lost their clout. Recent negotiations have rarely resulted in new plans, improved benefits or fat wage increases that could send costs skyrocketing in the future. "There will be fewer defined-benefit plans in the future," says Chairman Dave Williams of Alliance Capital Management, which has charge of investing some $20 billion in pension fund money.

Some companies negotiated a reduction in benefits with their unions or made changes unilaterally. American



Key Pension-Fund Facts

The growth in corporate pension-fund costs is slowing down. The following facts, garnered from a survey of 1,639 large corporate pension funds in late 1983 by Greenwich Research Associates, profile the status of pension-fund accounts.

CONTRIBUTIONS

Corporate contributions to fixed-benefit plans, which promise employees a pension based on their years of service and salary, fell last year.

FUNDING

The companies surveyed have $402 billion in projected pension liabilities, and $380 billion in assets in their defined-benefit plans. That leaves $22 billion in unfunded liabilities. The amount of liability that is funded has been rising for the past five years.

HOW PENSION-FUND ASSETS ARE INVESTED

Companies allocate the dollars invested by pension funds, while employees direct their investments in profit-sharing and thrift plans. The percentage of each dollar is invested as follows:

DEFINED-CONTRIBUTION PLANS

By law, 1982 was the first year that Individual Retirement Accounts and 401(K) salary-reduction plans could be established. Many companies have started plans, particularly large ones.

Telephone & Telegraph, for one, changed its plan from a pension based on an employee's earnings in his last five years to a dollar rate per employee per year for union employees and to a career average for salaried employees; the change, initiated in October 1980, resulted in a $1.3 billion drop in AT&T contributions in the year ending September 30, 1983.

Most companies amortize the cost of pension improvements over thirty or forty years, and unless there is a steady stream of improvements, pension expenses fall automatically in relation to payroll. Many of the nation's largest plans were started in the early 1950s; they are now mature and are seeing this effect, reports Vice Chairman Robert E. Paul of benefit consultants Martin E. Segal & Co.

Plans grow old

In the 1980s, an old phenomenon—defined-contribution plans—reemerged as a major force in new benefit programs. These plans, which include profit-sharing and thrift programs, have always been popular with managers because they are easy to administer and to predict costs. Then with Congressionally-endowed tax-breaks for salary-reduction plans and individual retirement accounts, many companies converted their thrift plans overnight into 401(K) plans. Many small and medium-sized employers shifted to them as a substitute for fixed-benefit plans (*see* "Pensions in Jeopardy," *May 1983*).

Large employers quickly discovered that 401(K) salary-reduction plans and IRAs are popular sweeteners for their benefits packages. Sky-high interest rates offered by IRAs and their tax-sheltering attributes made them attractive to workers too. And companies that offer these new benefits relieve the pressure to improve fixed-benefit plans, observes pension consultant William Dreher of Peat, Marwick, Mitchell & Co.

In some cases, employers introduced defined-contribution plans at the same time that they put caps on their defined-benefit programs, reports consultant Gerald Facciani of Professional Plan Administrators, Cleveland. Or they reduced some of their fixed benefits while beefing up their defined-contribution plans. Last year, Borden changed the pension base for its 9,400 salaried employees from final average pay to career average, but at the same time the company raised its matching rate on employee contributions to its thrift plan and introduced a salary-reduction plan.

Even as benefit reductions were cutting the size of Corporate America's eventual pension obligation, a booming stock market produced an incredible investment windfall, vastly expanding the pot of assets available to pay that obligation. According to the *Pension & Investment Age* annual survey of pension assets last September, many funds grew more than 30% in the preceding twelve months. Among them were some of the biggest corporate names: IBM's assets rose almost 45%; Hughes Aircraft, 44.4%; Standard Oil of California, 43.9%; Caterpillar Tractor, 36.1%; RCA, 35%; Ford Motor Co., 34.6% and AT&T, 34%—and the more the return to the pension fund from stocks and bonds, the less the company must contribute.

These phenomenal results have just begun to be reflected in lower contributions, according to actuary Kenneth Keene of Johnson & Higgins. Most actuaries don't use current market prices to compute the value of a pension fund's assets, but smooth out gains and losses over three, five, ten or fifteen years. Thus, the impact of market gains will be felt for many years to come—"and will continue even if the market should turn south from here," says Keene.

The towering rates on long-term bonds in the early 1980s also enabled pension fund managers to raise their interest rate assumptions. Here again, the greater the assumed return, the less the company must ante up. A survey of forty major companies by investment managers BEA Associates shows that nearly half held down pension costs by boosting investment return assumptions in 1981.

Companies cut fixed benefits while installing 401(K) salary-reduction plans.

Another way companies are reducing costs is by setting up mini-funds—called dedicated or immunized portfolios—to take care of the projected payments to employees who are already retired. The portfolios contain very-high-coupon bonds with staggered maturities that will produce income matching the company's estimated benefit payments. Since the yield on a dedicated portfolio is generally much higher than the assumed return of the over-all pension program, the company contributes less money to produce a given amount of income.

Dedicated savings

For example, B.F. Goodrich set up a dedicated bond portfolio and saved $21.7 million, or 33% in costs, in 1982, according to the BEA survey. Firestone's Treasurer John E. Rooney confides that after Chairman John J. Nevin pressured his office to lock up rich market rates, the company set up dedicated portfolios and bought 17% bonds in 1981 and 15% bonds in 1982. According to *Pension & Investment Age,* 31 companies have dedicated funds worth $6.6 billion.

Because of lush investment returns, many pension plans are fully funded and do not have to contribute anything more under current conditions (both ERISA and the Internal Revenue Service have standards for determining whether a plan is fully funded). IBM, for one, has contributed $70 million less than its pension expense allocation in the past two years because it hit its IRS funding limit. Firestone has made no contributions to its domestic plans for the past three years. Treasurer Rooney says that contributions to Firestone's plan for hourly employees will hinge on future labor negotiations, but he sees no need to contribute to the plan for salaried employees for the foreseeable future.

The number of fully-funded companies had been growing rapidly even before the recent market upsurge. According to Alliance Capital's Dave Williams, about 30% of his company's clients were fully-funded or over-funded in 1977, and 60% were in this group at the end of 1982. Adds Williams: "We suspect that at the end of 1983 the percentage of over-funded or fully-funded was probably in the 75%-to-80% category." And Johnson & Higgins' Keene predicts that many more companies will hit full-funding levels in the next five years.

Recently, there has been a surge of companies scrapping their pension plans and recapturing any assets that are not needed to pay any accrued pension obligations (*see* "Pension Plans: Problem of Plenty," *January 1984*). The Pension Benefit Guaranty Corp., which regulates terminations, estimates that corporate pension plan sponsors will recapture about $2 billion this year. Applications to PBGC for permission to drop pension plans are still on the upswing. Says pension consultant Gerald Facciani: "We have more termination business than we can handle."

While most large companies are not expected to drop their defined-benefit plans, they will gain from the new climate by having reduced pension expenses as a per cent of payroll costs. Moreover, they will acquire more control over costs, and the latter will be more predictable.

Unfortunately for shareholders, these savings aren't likely to show up as bigger profits and dividends. Corporate treasurers and benefit consultants alike agree that the savings are going to be needed to pay skyrocketing corporate medical bills. But if it's any consolation, at least the pension fund savings will keep these other expenses from devastating earnings.

With less money going into pension

funds, which in turn are the biggest buyers of stocks, what will happen to the market? Many professionals say they are not worried because they expect public pension funds to move more heavily into equities and to take up any slack created by smaller private-pension purchases.

But the people who manage pension fund money are worried about their own business. They fear that companies will become more conservative investors and divert funds to bonds—a development that would be given great urgency, says Alliance Capital's Williams, if the Financial Standards Board requires that pension liabilities be reported on the balance sheet, a rule now under serious discussion. "I don't need to explain to money managers here that we get paid less for managing bonds than we do for managing stocks," Williams told his colleagues at a recent seminar in San Francisco sponsored by pension consultants Callan Associates.

No hotshots wanted

Another cause for concern is the fact that employees decide where their money is to be invested when they sign up for IRAs and 401(K) plans, and the record shows that they don't buy hot-shot, high-turnover money management. A Greenwich Research Associates survey shows that company stock is the most favored investment. They also like guaranteed investment contracts, which are insured bond portfolios.

With a smaller portion of a diminished stream of pension-plan money going into stocks, Williams predicts there will be a shakeout among competing investment advisers, which in turn will lead to lower fees. "We should look ahead to a less golden environment," he cautions.

The actuaries who are paid big bucks to design and update defined-benefit plans are already hurting from the changing pension picture. And the dropoff in new plans comes at the time when computers are replacing their mathematical expertise. For example, accounting firms like Peat, Marwick,

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FAIRFAX COUNTY, VIRGINIA

Mitchell and Coopers & Lybrand are marketing computer software that enables a company to figure out the financial impact when it makes different assumptions about employee age, salaries, turnover and investment returns—calculations that actuaries traditionally do for their clients. Thus many large companies are doing many of the actuarial chores in-house and Johnson & Higgins' Keene observes: "We expect dog-eat-dog competition, with costs dropping 50% and more."

Significant difference

Not only are insurers like Equitable and MONY quitting the business, but pension consultants such as Coopers & Lybrand expect to slim down staffs. In addition, says Johnson & Higgins' Keene, "We have been thinking long and hard about diversifying."

Of all the changes, the most far-reaching economic impact will come from the rise in defined-contribution plans. They will make a significant difference in the retirement income individuals collect, and thus in the purchasing power of this growing segment of this nation's population. Noting that the average worker is not in a high enough tax bracket to make a 401(K) plan attractive, union officials such as William Hoffman, director of Social Security of the United Auto Workers, warn their members that such plans offer very little security. But as long as interest rates stay high and workers think that they can become millionaires by putting away $2,000 a year, employees will be mesmerized by these funds, he believes.

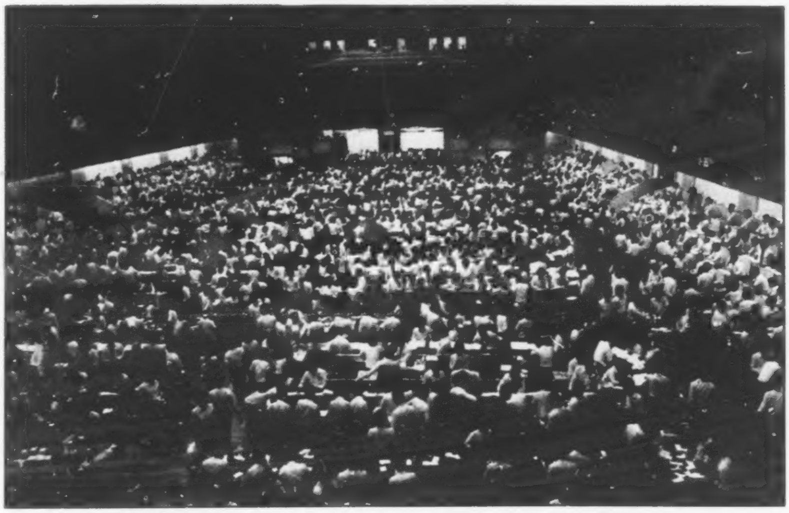
It seems inevitable that some workers will refuse to save and that others will invest badly, and this will lead to a host of horror stories about self-directed pension accounts. But for many Americans, they will be a significant force for good—encouraging them to save more and teaching them to be more-savvy investors as they work to enhance their retirement income.

Whether the winners or the losers predominate will obviously have a significant economic impact.

—Arlene Hershman

Opening Japan's Financial Markets

U.S. pressure produces some concessions, but strict rules still keep foreigners out.



Tokyo Stock Exchange: Japanese have produced the largest pool of savings outside the U.S.

When Treasury Secretary Donald Regan arrived in Tokyo recently with a wish list of trade and finance items, his first priority was to achieve greater international use of the yen. Washington claims, with growing anger, that Japanese controls over its financial and capital markets have kept the yen artificially undervalued against the dollar, giving Japanese exporters an unfair advantage over their American competitors. If the yen were used more widely in international trade and finance, demand for the currency would boost its value and hence help exporters in other countries.

This is obviously of tremendous importance to the U.S. government, saddled this year with a trade deficit that is likely to top $100 billion, and to American exporters. It is also of tremendous importance to the American bankers, brokers and insurance people, for the drive to internationalize the yen is part and parcel of an effort to deregulate the Japanese financial services system and give Americans the same privileges their Japanese counterparts enjoy in the U.S.

Americans especially want the chance to manage Japanese pension funds, and the prize there is awesome. Japanese savers have produced the largest accumulation of capital outside the United States. The market value of shares on the Tokyo Stock Exchange is equal to the combined value of all European exchanges. The aggregate amount of Japan's government and corporate debt and equity is

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(3/30/84) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$ 19.08/share	$ 10,089	$10,810
per cent change		+.08%	+8.1%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$ 94.563	$ 9,761	$ 8,921
ACCUMULATED INCOME		$ 121	$ 923
TOTAL		$ 9,882	$ 9,844
per cent change		−1.1%	−1.5%
Money Market Fund	8.91%	$ 10,076	$10,887
per cent change		+ .7%	+8.9%
Gold (Krugerrands)	$ 409.75/oz.	$ 9,785	$ 9,403
per cent change		−2.1%	−5.9%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$ 78,600	$ 81,800	$74,700
per cent change		−4.0%	+ 5.0%
New House	$ 93,600	$104,100	$81,000
per cent change		−11.2%	+13.4%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

the conventional growth managers," Maxwell says.

Such other groups as the Explorer Fund (1983 gain: 20.5%) and Quasar Associates (up 33.9%) buy high P/E growth stocks. Quasar will even buy high P/E stocks that have been clobbered because of disappointing earnings if they think that the fundamentals are good, he says.

Among large-capitalization investors, Maxwell found that most of the funds he chose had a value bias. Some were income-oriented investors who sought total return, such as Fidelity Management's Equity Portfolio: Income (27% advance in 1983), T. Rowe Price Growth & Income (up 32.4%) and the Windsor Fund (up 30.2%). Others were contrarians who bought out-of-favor large-capitalization stocks, such as Mutual Qualified Income Fund (1983 growth: 34.9%) and Trustees Commingled Equity Fund (up 29.1%).

For example, Mutual Qualified Income Fund, which is managed by Max Heine and Michael Price, often buys companies that are in bankruptcy or reorganization. If they estimate that a company's asset values are worth more than the market value, they buy the stock and wait for realization, he says. They bought A&P because of the value in its overfunded pension fund; and they bought Esmark because its physical assets were not reflected in its stock price. "The fund never has any real bad years," Maxwell says, "which has helped give it a good long-term record."

The opportunistic managers were the hardest to classify, according to Maxwell. They tend to have "good vibes" for changes in market direction or popularity, he says. But their results also are more volatile than the other types of funds, rising more in up periods and falling more in declines. Based on overall performance, the managers he chose were the Janus Fund (up 26.5% in 1983), Massachusetts Capital Development (up 26.1%) and Paramount Fund (up 31.3%).

—A.H.

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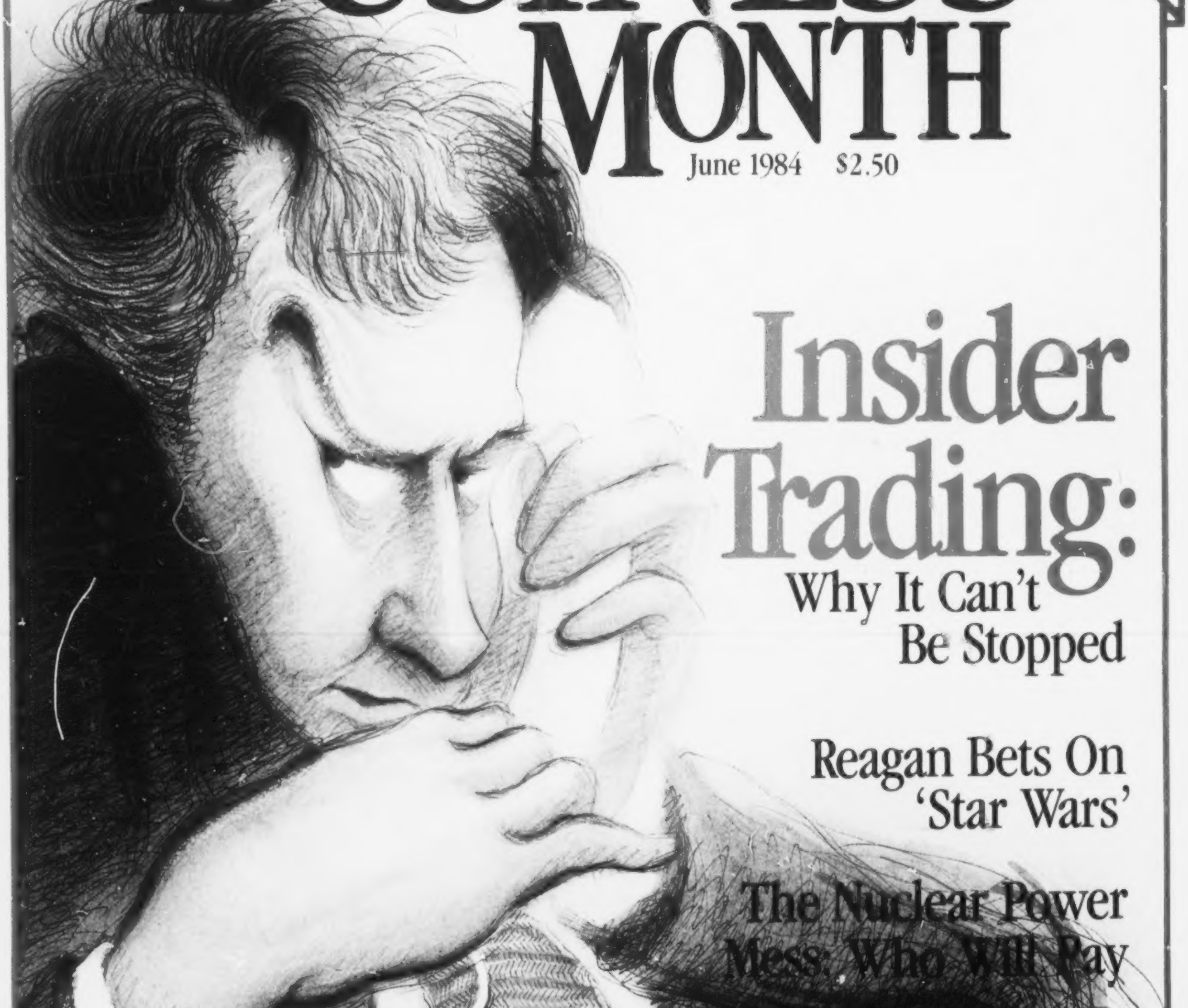

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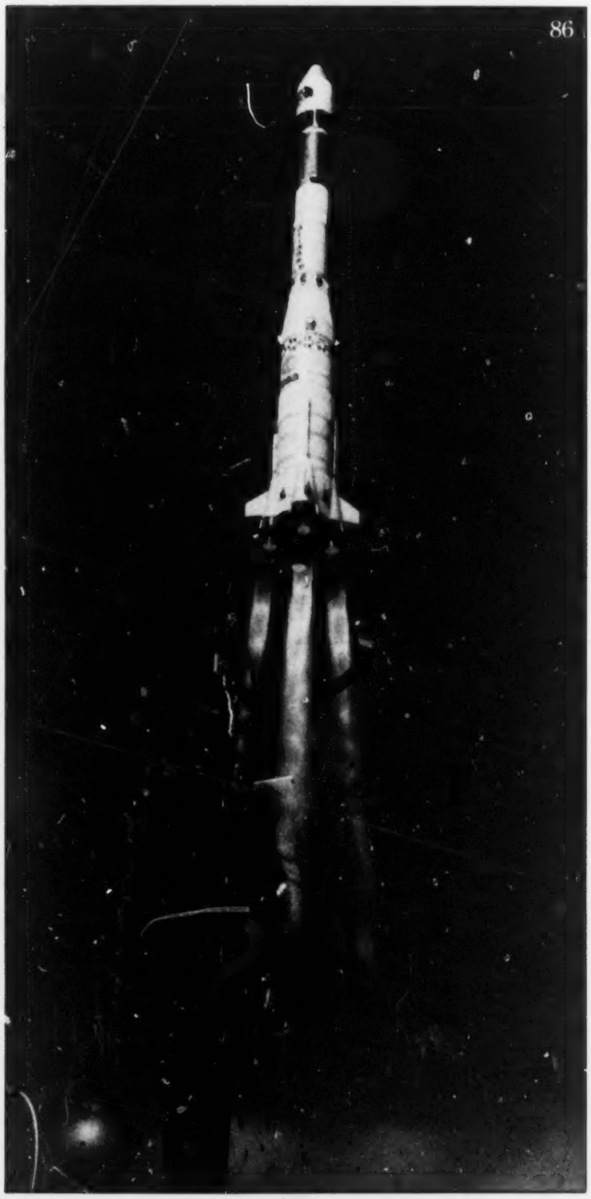

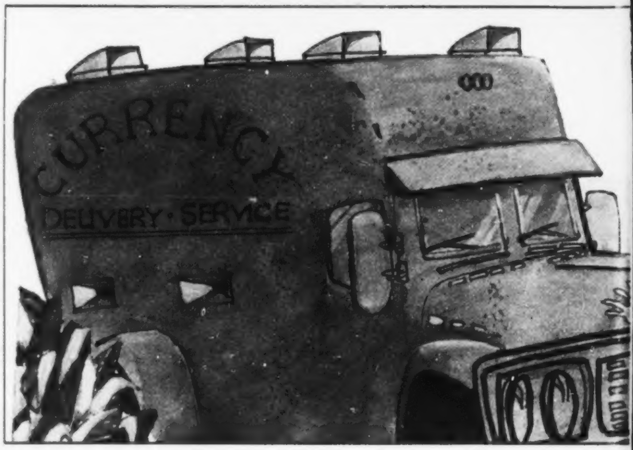

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Mid-Sized Firms Take Off the Wraps

Companies with 100-to-999 employees plan hefty increases in capital outlays, according to the DUN'S 5000 survey.

Not all firms plan to spend money on capital equipment and new plant and structures this year, but some expect to do it in a big way, according to the latest DUN'S 5000 survey.

Among firms of all sizes, only 18% indicate they will invest in new plants and office structures, a deceptively low number, since the survey sample is heavily influenced by small establishments. But within the sector of spenders, 60% of mid-size companies plan larger outlays this year on big-ticket building projects (*chart*). Even among smaller firms (100-to-500 workers), those that plan to spend have ambitious expectations as well. A large fraction said they will spend more than double what they did last year for new structures.

Overall, about 46% of the DUN'S 5000 respondents plan to buy more capital equipment this year, while about 29% expected no change and 25% say they will spend less. Within the groups that plan to buy new machines and hardware, firms with more than 500 employees expect to lay out about 8.3% more than they did in 1983. This result for larger firms is below the overall capital equipment estimates of the U.S. Department of Commerce, which predicts a 13% increase, and the McGraw-Hill Inc. survey, which projects an overall gain of 18%.

As might be expected, small firms with fewer than 100 employees have the smallest plans for major investments; indeed, they report no change from 1983 outlays. Yet since these small firms account for such a large proportion of all U.S. business establishments, the impact will be great once they do start spending as the recovery proceeds.

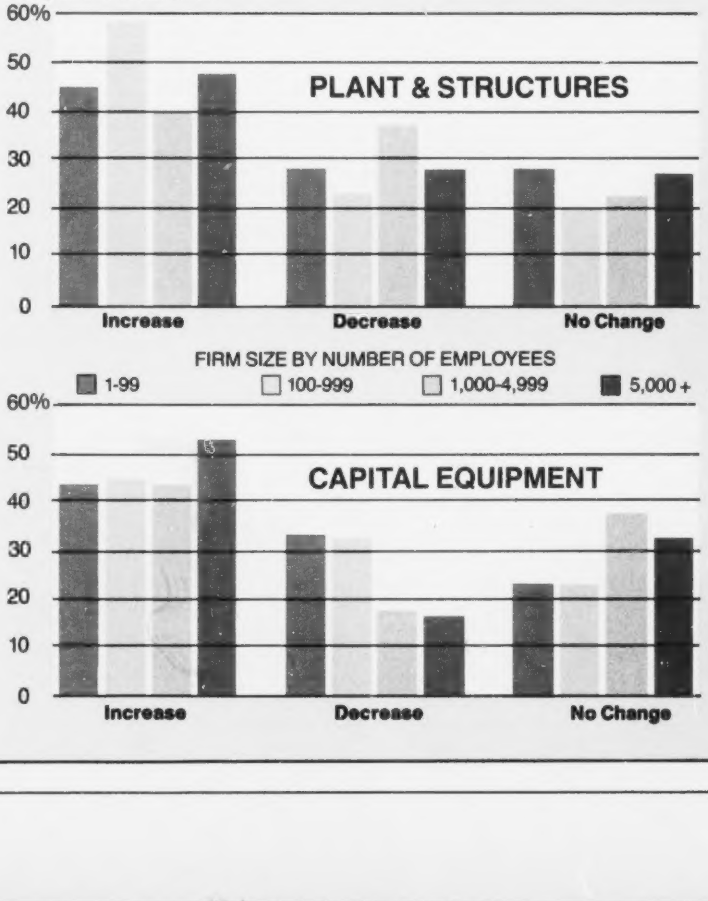
Since the DUN'S 5000 survey currently looks at firms of all sizes based on number of workers, not assets, these survey results cannot be translated into absolute dollar amounts.

—JOSEPH W. DUNCAN

BUSINESS OUTLAYS

(BY FIRM SIZE)

Only 18% of all firms surveyed intend to invest in new buildings this year, and 46% will buy new equipment. Among this group of spenders, some will increase their outlays while others will stand still or cut back. A breakdown by size of firm follows:



Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.

tions now operating, it is still too early to reach any firm conclusions about typical profitability. The 24% pretax margin averaged by full-power stations is attainable, according to Publisher Harlan Jacobson of *Lo Power Community TV* magazine, but this remains to be seen.

Moreover, there are a number of risks in the business. For one thing, after shelling out anywhere from $500 to $4,000 in engineering and attorney fees to file with the FCC, an applicant stands a good chance of not receiving a permit. If a permit is won, an owner must be ready to operate within one year or surrender the permit to the FCC or sell it at cost.

Once on the air, the problem then is to find the right kind of programming to attract viewers and advertisers from competing media, such as radio and newspapers. So far, operators are offering such fare as reruns of old series, movies and soap operas, music videos and a few hours a day of news, weather and other local coverage. Currently, syndication firms provide most of the programming. In the near future, satellite services and specialized programming networks are expected to become major sources.

Enterprising investors are finding ways to spread the costs and increase revenues. Some are forming joint ventures. President Jeffrey Nightbyrd of Low Power Technology, for example, acquired a 51% interest in a new station owned by a small California company and is negotiating several other similar deals. Others are planning to operate multiple stations and centralize programming and advertising functions. Hutcheson expects to have two more stations on the air by year-end and has licenses to add seven more.

Within a few years, the investment value of mini-stations should climb substantially, according to Jacobsen. Because only a limited number of stations will be authorized by the FCC, they will appreciate rapidly once they are all licensed, he points out. "That's why I think owning an LPTV license is such a good investment," he says. "Like land, there's only so much of it available." —T.J.M.

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(4/30/84) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$19.22/share	$10,073	$10,121
per cent change		+0.7%	+1.2%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE		$ 9,722	$ 8,343
ACCUMULATED INCOME	$91.938	$ 103	$ 1,066
TOTAL		$ 9,825	$ 9,409
per cent change		−1.7%	−6.0%
Money Market Fund	9.29%	$10,076	$10,899
per cent change		+ .7%	+8.9%
Gold (Krugerrands)	$398.27/oz.	$ 9,719	$ 8,847
per cent change		−2.8%	−11.5%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$80,300	$80,100	$78,900
per cent change		−2.4%	−2.6%
New House	$92,200	$94,000	$89,600
per cent change		−1.9%	+2.8%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

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Cash Flow: The Top 200

DUN'S BUSINESS MONTH

July 1984 $3.

Washington's Powerhouse Press Corps

Comeback In East-West Trade

SmithKline's Big Gamble

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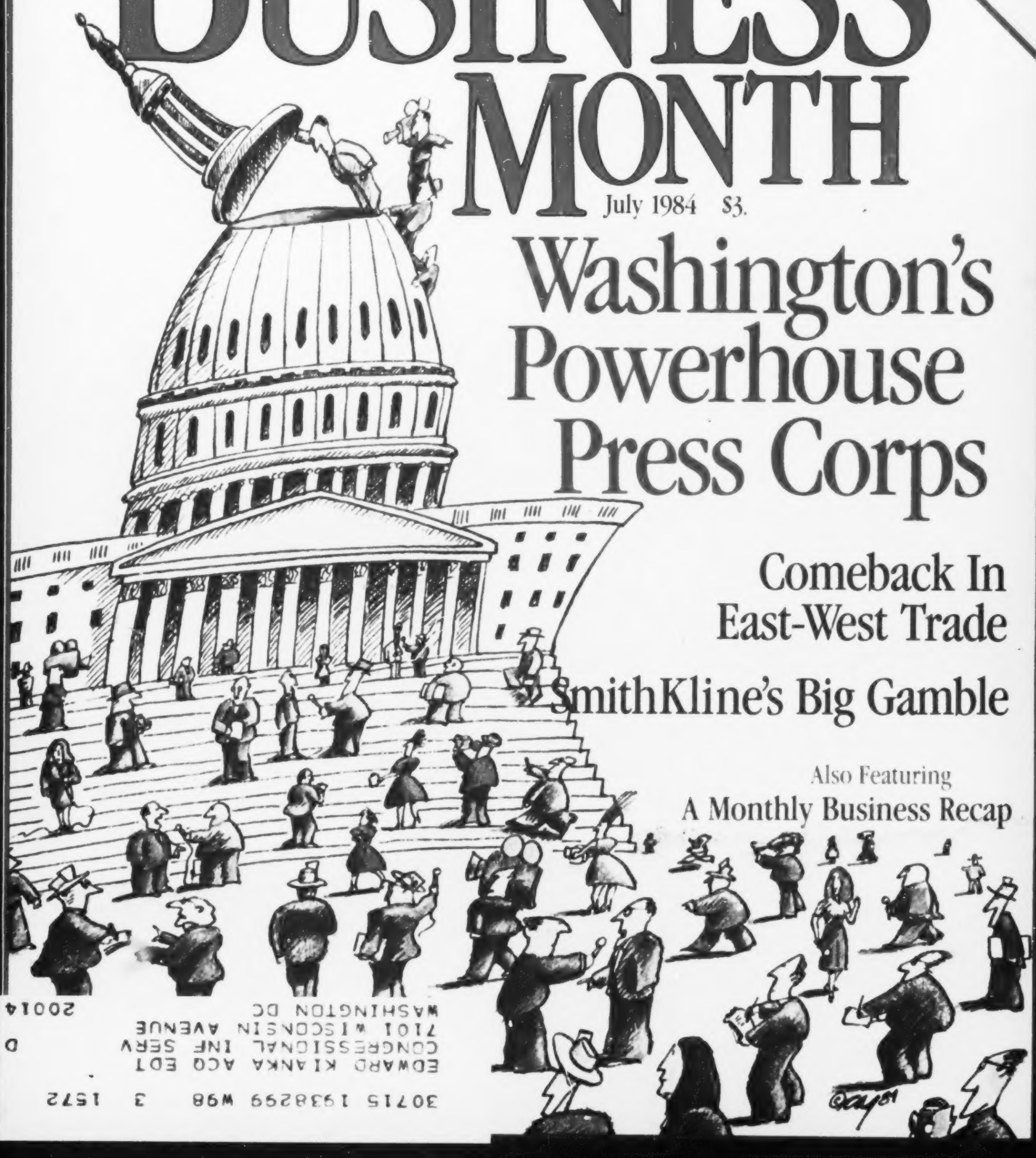
A Monthly Business Recap



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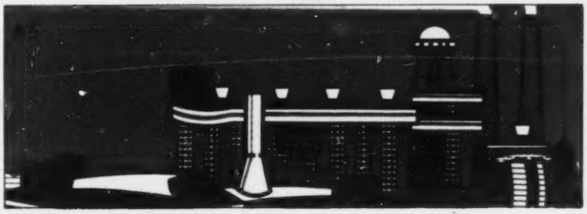

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1985: A Watershed Year For the Budget?

For the first time in a decade, both Congress and the White House have stopped kidding themselves about future budget deficits. Even the official Reagan Administration forecast admits that the deficit is a real problem, one that's going to get worse as time goes by and that has no miraculous solution.

This is quite a switch from past predictions, which always projected a balanced budget or even a surplus in the future. These rosy forecasts started with the Budget Act of 1974, which required that both the Administration and Congress make five-year budget projections.

The results speak for themselves (*table*). The difference between the forecasts and what actually happened is nothing short of phenomenal. Time after time, the five-year figures were woefully wrong—and they grew further off the mark as each year passed. For example, the Administration originally predicted a $51.9 billion deficit for the 1976 fiscal year; in fact, there was a $66.4 billion deficit for a $14.5 billion gap. And its projection of a $25 billion surplus for fiscal 1981 was $84.6 billion off the mark.

Part of the problem stems from the fact that budget projections are based on expected trends, not the ups and downs of the business cycle. The real versus the actual outcome is thus naturally bound to be off base. Another reason for the incredibly bad forecasts is that the White House budget always assumes certain actions by Congress—which usually don't occur.

Meanwhile, the Congressional Budget Office (CBO) predictions assume that no current tax laws and spending plans will be changed—which is an equally bad guess, since Congress always takes new initiatives. Other unknown factors, such as the rate of inflation and its impact on entitlements and other "uncontrollable" spending, also make budget forecasting an extremely treacherous exercise.

Whatever the reason for the past mistakes, the politicians seem finally to have come down to earth. There's a growing realization—witness this election year's attack on the budget—that deficit delusions are dangerous to the economy's health. Many insiders on Capitol Hill say the "down payment" legislation is just the tip of the iceberg. This could mean that in 1985 there will be a significant, surprisingly courageous effort to reduce spending and even increase taxes to bring the deficit under control—probably during the first 100 days of the next new Administration, Republican or Democratic.

In short, however frightening the current deficit forecasts, the good news is that these realistic numbers may well force policymakers to take realistic action. Given the history of past budget delusions, this would indeed make 1985 a watershed year for the economy.

—Joseph W. Duncan

Budget Blunders

With one exception, five-year budget projections are invariably overoptimistic. The figures below show the difference between what was predicted and what actually happened since such projections were started in fiscal 1976.

Five-year projection starting with fiscal	How far off the mark results were in				
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
1976	−14.5	−14.4	−29.2	−28.1	−84.6
1977	−2.0	−26.0	−37.3	−100.2	−133.4
1978	−1.8	−16.1	−73.0	−84.0	−139.2
1979	32.9	−22.1	−66.5	−155.8	−271.6
1980	−30.6	−56.7	−148.4	−268.1	
1981	−42.1	−115.4	−219.9		
1982	−83.1	−187.4			
1983	−103.9				

(billions of $)

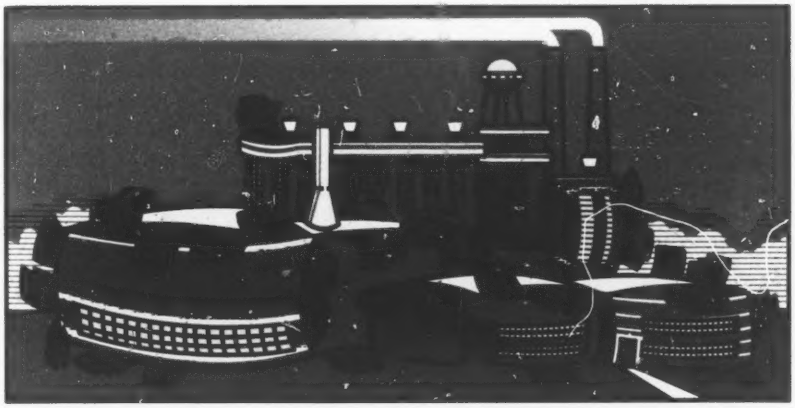
Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.

A Banner Year For Cash Flow

While money is coming in fast, it's going out even faster. Trouble ahead?

Money, moolah, simoleons, bucks. By whatever name, cash poured into corporate coffers last year at a rate that has seldom, if ever, been seen. Unfortunately, it poured out even faster.

Where did the funds come from? Where did they go? And were the huge outlays of money well spent?



A thumping increase in corporate profits were a major contributor. They rose 25% last year, to $142.8 billion after taxes. Then there was depreciation—typically the biggest element in cash flow—which, thanks to President Reagan's tax cuts, bolstered the total considerably more than usual. "There is no dispute about the big contribution the Reagan tax cuts have made to cash flow," comments economist Lacy Hunt of the CM&M Group. Economist Rosanne Cahn of Goldman Sachs & Co. estimates that the faster depreciation lowered corporate taxes by $17 billion last year. All in all, profits and depreciation—the basic definition of cash flow—rose to $417.9 billion last year and are still on the way up.

Reagan tax cuts big help

Accounting rules frequently disguise true cash flow, and the commonly used cash flow numbers only roughly approximate how much money is being generated by a corporation's regular operations. DUN'S BUSINESS MONTH has refined the basic definition, included other important sources of cash, and has come up with a Special Report on Cash Flow from Operations.

Among nonfinancial corporations, the pre-divestiture American Telephone & Telegraph Co. topped the list of the 200 biggest money machines; its cash flow from operations came to $19.1 billion last year (*table, page 47*).

AT&T was also among the companies that laid out more for dividends, capital spending and debt retirement than it took in, so its discretionary cash flow was negative. In order to sustain such spending, companies in such a position have to borrow, sell more stock or draw down their working capital. And that's what Corporate America did last year. For example, nonfinancial companies took on an additional $17 billion in long-term debt.

As soaring stock prices drew the public back into the market, corporations made a record amount of new equity offerings. More than 1,600 companies sold equity last year, adding almost $40 billion in new capital.

On the fast-rising spending side, inventories accounted for the biggest part. Nonfarm inventories advanced $76 billion from March 30, 1983 to March 30, 1984, according to economist Robert Scott of Chase Econometrics. As big as the gain was, however, it was well in line with booming sales. According to Scott, the overall ratio of inventories to sales registered a real improvement over prior recovery patterns. And the manufacturing sector was particularly tight-fisted. Manufacturers accounted for about 12%, or $9.5 billion, of the total inventory gain.

Since March, inventories have been rising in relation to sales, and Scott believes that business will relax its inventory discipline when it starts losing sales due to lack of product. Nonetheless, he believes that real gains have been made and that the rise will be tempered. "Overall, the norm for inventories in relation to sales has probably declined permanently because companies have put inventory control mechanisms in place," he says.

Spending for new plant and equipment is now climbing at a record post-recovery rate. Most of the money is for equipment. Of the $53 billion increase in capital outlays since the first quarter of last year, $45 billion, or 85%, went for new equipment, according to economist Jill Thompson of Data Resources.

But this capital-spending resurgence, largely on small computers, imported machinery and trucks, has reaped no discernible harvest of productivity gains nor any renaissance in U.S. factories. Despite the huge outlays, productivity is doing no better than normal for this part of the expansion, says Chase Econometrics' Edward Friedman. The only notable difference from other recent expansions, he says, is that the large numbers of unemployed have suppressed wage increases and helped contain inflation.

Faster depreciation allowances have not encouraged new plant investments; construction accounted for only $7 billion of last year's increase in capital outlays. Of that, Thompson notes, a "big chunk" is for office buildings. In fact, she calls the current office boom "a construction craze," mainly on the part of individuals reaping the cash flow benefits from the faster depreciation schedules in the 1981 tax act.

Another big share of corporate spending has gone into buying other companies. This year, four companies alone—Texaco, Chevron, Royal Dutch Shell and Mobil—paid $35 billion in cash to investors. But mergers and acquisitions are only one part of the story. Leveraged buyouts probably consumed another $10 billion in bank borrowings last year. There has also been a marked jump in corporate stock repurchases; in the first four months of this year, companies offered to buy in more than $6 billion of their own stock.

Book value of equity at the end of the year was less than at the beginning.

Because of these buy-ins, mergers and LBOs, more stock was retired last year than was newly issued, estimates managing partner James Stewart of Morgan Stanley & Co. Much of the unprecedented volume of equity issues during 1983 was initial public offerings, he notes, and not many seasoned industrial companies capitalized on the market opportunity. As a result of retirements, the book value of equity at the end of the year was less than it was at the beginning, he estimates. "With less publicly traded equity and more debt, the financial leverage in the aggregate went up," Stewart adds.

Companies more leveraged

This leverage is dangerous, warns Securities and Exchange Commission Chairman John S. R. Shad. "The more leveraged takeovers and buyouts today," he says, "the more bankruptcies tomorrow."

The debt side of the ratio, meanwhile, continued upward. On top of the $17 billion in long-term debt they added last year, nonfinancial corporations have taken down another $36 billion in the first five months of this year, Stewart estimates. The net issuance of commercial paper has also shown a sizable increase, running to $24 billion so far this year. And bank borrowing has climbed $40 billion in the same period.

Because companies haven't used their cash to pay down debt, corporate leverage right now is worrisome, says economist Allen Sinai of Shearson Lehman/American Express. Short-rates are unusually high for this stage in the cycle, he says, "pretty much wiping out" any advantage the extra cash might have provided in servicing debt.

The ballooning of short-term borrowings makes balance sheets fragile. The ratio of short-to-long-term debt is almost as high as it was in the last stages of the last expansion, Sinai notes, and it has not dropped nearly as much as it did in the aftermath of the 1973–75 recession. "It means business is more vulnerable to any rise in rates," he adds.

And there is little prospect of rate relief ahead unless there is substantial progress on the deficit or an unexpected slowdown in the economy. In the normal pattern of economic expansions, rates, particularly short rates, move up steadily from the current phase of the cycle—and, in fact, Sinai predicts that the prime rate, recently 12½%, will rise to 15¾% or 16% by the end of next year. On the long-term front, the huge supply of new bonds likely to come out any time there is a drop in rates is expected to limit any decline.

While a continued recovery in corporate profits and cash flow could help American business, they obviously won't be enough if companies maintain their recent torrid pace of spending and borrowing. Unfortunately, the record so far indicates that neither foreign competition nor the lessons of recent recessions has influenced the behavior of Corporate America. True, inventories appear to be more firmly controlled. But otherwise, companies have borrowed to the hilt and are likely to be as unprepared for recession or a sudden upsurge in interest rates as they were the last time.

—Arlene Hershman

Cash Flow: The Top 200

Cash flow is Corporate America's yardstick of financial strength and flexibility. Cash flow gives a corporation the power to borrow or to sell equity, the foundation on which to build new plants or buy new businesses; it funds research and development and the exploration of new business opportunities; it generates the cash to pay today's dividends and tomorrow's dividend increases, and it provides the resources to withstand economic adversity.

Analysis of cash flow reveals truths about corporate performance that may be hidden by accrual accounting methods. In industries such as oil and gas and real estate, cash flow trends tell the story of the company's condition more clearly than earnings. Strong cash flow generation is usually a sign of health, but it can be a sign of weakness, too, when companies cut needed investments in order to raise cash. In such a situation, an analysis of cash flow trends detects problems long before they surface on the profit and loss statement.

By itself, cash flow is not a measure of management performance. When tracked over a period of years along with earnings, however, it is a useful predictor of future dividend changes. Nor is cash flow equal to cash on hand; many companies spend much more than they take in. The multi-year record of discretionary cash flow—that is, cash flow remaining after capital expenditures, debt retirement and dividend payments—is a moving picture of a company's long-run financial vigor.

This roster of 200 nonfinancial companies is ranked by the dollar value of cash flow generated from operations in 1983. The list provides a more detailed picture of the companies' financial strength by including per cent change in cash flow from 1982, earnings for 1983 and per cent change since 1982, discretionary cash flow (cash flow minus capital expenditures, dividends and debt retirement) in 1983 and 1982, return on equity, debt equity ratio, revenues and cash flow as a percent of revenues. The information is drawn from 6,400 companies in the Standard & Poor's Compustat data base. Definitions of terms and footnotes are at the end of the tables on page 58.

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES
	$Millions	%change vs. '82	$Millions	%change vs. '82	$Millions '83	$Millions '82	%	%	$Millions	%
1. **American Telephone**[8]	19,103	−4.2	5,747	−17.8	−775	−2,073	9.2	0.76	69,403	27.5
2. **Exxon**	12,352	−3.4	4,978	18.9	2,087	906	16.9	0.19	88,561	13.9
3. **Intl. Business Machines**	11,128	18.5	5,485	24.4	3,805	562	23.6	0.14	40,180	27.7
4. **General Motors**	8,281	11.3	3,730	287.5	2,916	294	18.1	0.23	74,582	11.1
5. **Ford Motor**	5,001	90.4	1,867	nm	2,662	−152	24.7	0.48	44,455	11.2
6. **Standard Oil (Calif.)**	4,406	17.2	1,590	15.5	138	−294	11.3	0.14	27,342	16.1
7. **Standard Oil (Indiana)**	4,376	5.7	1,868	2.3	455	24	15.0	0.35	27,635	15.8
8. **Du Pont (E.I.)**	4,233	2.7	1,127	26.1	910	169	9.9	0.48	35,378	12.0
9. **Atlantic Richfield**	4,106	−8.9	1,548	−7.6	−198	−563	14.2	0.51	25,147	16.3
10. **Mobil**	3,891	13.0	1,503	8.9	−193	−1,934	10.8	0.51	54,607	7.1
11. **Shell Oil**	3,673	13.1	1,633	1.7	736	−435	14.4	0.41	19,678	18.7
12. **Occidental Petroleum**	3,224	nm	480	208.6	849	−2,057	4.3	0.67	19,116	16.9
13. **Texaco**	3,165	−15.8	1,233	−3.7	−794	−88	8.4	0.21	40,068	7.9
14. **GTE**	3,148	35.6	978	17.0	−376	−1,253	14.7	1.42	12,944	24.3
15. **General Electric**	3,009	−1.4	2,024	11.4	312	579	18.0	0.17	26,797	11.2

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES
	$Millions	%change vs. '82	$Millions	%change vs. '82	$Millions '83	$Millions '82	%	%	$Millions	%
16. Gulf	2,985	−0.6	978	8.7	267	−559	9.7	0.26	26,581	11.2
17. Standard Oil (Ohio)	2,649	−32.5	1,512	−19.5	−587	449	18.7	0.49	11,599	22.8
18. Tenneco	2,438	−14.3	716	−14.8	173	186	11.2	0.85	14,449	16.9
19. Phillips Petroleum	2,332	30.0	721	11.6	813	−715	11.7	0.39	15,249	15.3
20. Sun Co	2,097	7.7	453	−15.6	479	−92	8.6	0.47	14,730	14.2
21. Philip Morris	1,884	43.5	903	15.6	952	48	22.4	0.76	9,466	19.9
22. Eastman Kodak	1,820	14.7	565	−51.4	cf	cf	7.5	0.08	10,170	17.9
23. Chrysler	1,758	cf	302	nm	568	cf	23.9	1.11	13,240	13.3
24. Unocal	1,682	−14.7	626	−22.1	−173	−312	12.1	0.28	10,066	16.7
25. Reynolds (R.J.)	1,600	−3.6	835	−4.0	208	282	14.8	0.27	10,371	15.4
26. Boeing	1,580	nm	355	21.6	1,209	−843	11.7	0.13	11,129	14.3
27. Xerox	1,515	14.5	466	26.8	−79	−232	9.9	0.43	8,463	17.9
28. Procter & Gamble[1]	1,372	16.5	866	11.4	336	186	18.8	0.22	12,452	11.0
29. Union Pacific	1,241	7.1	441	35.0	55	90	10.9	0.53	8,353	14.8
30. Halliburton	1,204	1.0	315	−36.6	759	509	8.8	0.24	5,511	21.8
31. Signal	1,162	267.0	114	0.7	848	74	4.1	0.15	6,074	19.1
32. Dow Chemical	1,118	−24.4	293	−14.3	73	253	5.8	0.71	10,951	10.2
33. United Technologies	1,055	45.4	509	19.3	167	−122	13.6	0.35	14,669	7.2
34. Minnesota Mining & Mfg	1,050	5.3	667	5.7	94	4	18.0	0.16	7,039	14.9
35. Monsanto	1,037	16.0	369	12.2	281	27	10.1	0.32	6,299	16.5
36. Coca-Cola	999	76.7	558	9.0	92	−183	19.1	0.21	6,829	14.6
37. Union Carbide	992	4.0	79	−74.5	−68	−568	1.6	0.55	9,001	11.0
38. Dart & Kraft	971	20.8	435	24.2	525	221	14.9	0.24	9,714	10.0
39. RCA	960	−8.2	241	8.2	−1,007	−802	8.7	0.92	8,977	10.7
40. Norfolk Southern	939	22.9	356	−13.3	328	221	8.5	0.26	3,148	29.8
41. Superior Oil	899	−3.7	235	5.0	57	−200	9.5	0.47	1,793	50.1
42. McDonnell Douglas	881	23.3	275	28.0	78	325	13.3	0.04	8,111	10.9
43. ITT	881	−50.2	674	−4.0	−526	213	11.7	0.64	14,155	6.2
44. Santa Fe Pacific	872	166.0	333	166.3	−397	−239	5.8	0.32	5,976	14.6
45. Burlington Northern	871	185.3	413	132.2	23	−201	10.7	0.73	4,508	19.3
46. Amerada Hess	870	−1.8	205	21.7	−198	−123	8.1	0.83	8,369	10.4
47. Burroughs	858	58.9	197	115.8	139	−239	8.8	0.31	4,296	20.0
48. K mart[2]	826	6.0	492	88.0	208	201	17.0	0.89	18,789	4.4
49. Merck	809	34.2	451	8.6	318	92	18.5	0.31	3,246	24.9
50. UAL	806	43.4	142	nm	−157	−389	9.0	1.02	6,022	13.4
51. United Parcel Service	795	68.5	490	47.6	396	62	35.7	0.00	6,015	13.2
52. Transco Energy	792	371.2	133	−2.9	13	−672	16.5	1.36	3,845	20.6
53. Anheuser-Busch	789	56.7	348	21.1	253	42	19.7	0.47	6,034	13.1
54. Rockwell International[3]	781	42.2	389	17.3	163	−117	16.4	0.09	8,098	9.6
55. Beatrice Foods[4]	745	14.9	433	902.3	299	220	22.7	0.49	9,327	8.0
56. Aluminum Co. of America	744	174.6	164	nm	196	−389	5.1	0.52	5,263	14.1
57. Goodyear Tire & Rubber	740	13.0	270	9.2	115	228	9.0	0.29	9,736	7.6
58. NCR	734	−11.7	288	22.7	335	428	14.1	0.19	3,731	19.7
59. Smithkline Beckman	715	246.3	486	6.8	cf	cf	23.6	0.19	2,835	25.2
60. Litton Industries[5]	704	159.9	232	−26.5	425	−124	12.5	0.15	4,720	14.9
61. Lilly (Eli)	703	21.9	457	11.1	cf	cf	21.6	0.19	3,034	23.2
62. American Home Products	703	12.2	627	12.0	123	138	30.6	0.03	4,856	14.5
63. United Telecom	700	1.0	233	15.4	−38	−83	13.9	1.15	2,474	28.3
64. AMR	695	173.7	228	nm	54	−273	15.9	1.06	4,763	14.6
65. Texas Oil & Gas[6]	692	38.4	296	19.7	0	−135	24.8	0.57	1,838	37.6

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES
	$Millions	%change vs. '82	$Millions	%change vs. '82	$Millions '83	$Millions '82	%	%	$Millions	%
66. Gulf & Western[5]	682	712.4	260	30.8	422	−339	13.5	0.60	3,993	17.1
67. Pepsico	681	−29.3	284	26.7	−13	320	16.0	0.61	7,896	8.6
68. Honeywell	660	50.9	231	−14.8	143	−30	10.0	0.37	5,753	11.5
69. Johnson & Johnson	655	−0.2	489	−6.6	31	−7	16.2	0.14	5,973	11.0
70. Pfizer	653	7.1	447	34.3	171	194	20.8	0.37	3,750	17.4
71. TRW	627	68.5	205	4.5	187	−46	12.5	0.24	5,493	11.4
72. McDonald's	622	16.8	343	14.0	−15	−107	19.5	0.73	3,001	20.7
73. General Dynamics	617	−17.9	287	78.6	346	573	22.6	0.02	7,146	8.6
74. Kerr-McGee	610	22.3	118	−43.5	−1	−144	6.8	0.56	3,508	17.4
75. Pennzoil	601	12.8	164	−13.0	−119	−202	12.7	0.74	2,317	25.9
76. Motorola	593	85.2	244	44.0	45	−179	12.5	0.14	4,328	13.7
77. U.S. Steel	581	171.4	−1,161	nm	−1,711	−1,954	nm	1.34	16,869	3.4
78. Allied	576	−20.8	450	65.4	−335	8	14.6	0.51	10,022	5.7
79. Hewlett-Packard[7]	572	−14.7	432	12.8	54	270	15.0	0.08	4,710	12.1
80. Internorth	569	16.3	255	40.9	164	19	15.9	0.75	4,997	11.4
81. MCA	557	30.5	147	−16.5	401	322	12.8	0.00	1,584	35.2
82. Nabisco Brands	556	−12.0	323	2.5	128	202	18.9	0.33	5,985	9.3
83. Continental Telecom	551	29.9	172	14.6	−184	−219	13.8	1.42	2,101	26.2
84. Continental Group	547	7.6	199	10.4	117	−81	11.5	0.42	4,820	11.3
85. Martin Marietta	546	125.8	141	54.2	273	−212	17.8	0.74	3,899	14.0
86. Fluor[7]	539	139.1	81	−47.2	−37	−416	4.6	0.48	5,300	10.2
87. Bristol-Myers	536	3.4	408	17.0	224	208	21.3	0.13	3,917	13.7
88. Weyerhaeuser	511	−19.6	205	46.3	−101	−130	5.5	0.44	4,883	10.5
89. Westinghouse Electric	506	−44.6	449	−0.1	−395	8	13.2	0.38	9,533	5.3
90. FMC	506	13.8	169	10.7	236	56	11.5	0.28	3,498	14.5
91. Raytheon	503	−20.1	300	−5.8	79	207	15.9	0.08	5,937	8.5
92. Diamond Shamrock	499	−26.1	−60	nm	−73	−59	nm	0.69	4,026	12.4
93. Grace (W.R.)	498	−25.3	160	−50.0	−67	−140	7.3	0.69	6,219	8.0
94. CSX	496	−25.6	272	−19.7	−355	63	6.0	0.58	5,787	8.6
95. Caterpillar Tractor	487	nm	−345	nm	20	−919	nm	0.67	5,424	9.0
96. Safeway Stores	476	28.9	183	14.8	−205	−268	13.2	0.94	18,585	2.6
97. Sonat	475	9.1	210	2.7	206	−12	16.3	0.51	2,687	17.7
98. Hospital Corp. America	475	13.9	243	41.5	−280	−268	15.6	1.10	3,203	14.8
99. Consolidated Foods[1]	474	110.8	171	9.3	171	−51	18.2	0.47	6,572	7.2
100. Penn Central	464	−6.6	20	−85.0	280	244	nm[10]	0.18	2,539	18.3
101. Celanese	464	84.9	112	nm	245	−167	10.0	0.71	3,261	14.2
102. Time	462	12.4	143	−8.3	58	−17	16.4	0.44	2,717	17.0
103. Ralston Purina[3]	454	cf	256	180.1	213	cf	23.2	0.32	4,872	9.3
104. Georgia-Pacific	453	−5.6	105	101.9	56	−191	5.2	0.72	6,469	7.0
105. Emerson Electric[3]	442	21.4	303	0.9	140	57	17.8	0.11	3,476	12.7
106. Abbott Laboratories	439	15.4	348	20.2	9	37	24.5	0.45	2,928	14.9
107. Ryder System	438	33.4	101	22.4	−172	−300	15.6	1.34	2,384	18.7
108. Federated Dept Stores[2]	427	−2.7	338	45.3	2	−99	14.5	0.41	8,690	4.9
109. Borg-Warner	417	69.2	183	9.1	175	−3	12.6	0.20	3,542	11.8
110. Midcon[3]	412	na	122	−8.3	59	na	11.4	0.84	3,319	12.4
111. United Energy Resources	409	−18.9	29	−83.8	196	−1	3.2	0.55	4,035	10.1
112. American Brands	403	−24.4	390	2.4	47	168	18.3	0.47	4,436	9.1
113. Lockheed	387	nm	263	26.8	80	−242	31.5	0.79	6,490	6.0
114. Times Mirror	387	48.3	200	42.7	59	−47	17.8	0.53	2,478	15.6
115. Murphy Oil	383	−41.7	132	−16.4	−76	27	13.4	0.32	2,388	16.0

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES
	$Millions	%change vs. '82	$Millions	%change vs. '82	$Millions '83	$Millions '82	%	%	$Millions	%
116. **Kroger**	380	140.5	127	−11.6	−148	−309	11.8	0.83	15,236	2.5
117. **Kimberly-Clark**	378	63.4	189	−4.4	−89	−157	12.8	0.40	3,274	11.5
118. **Coastal**	378	nm	94	42.8	145	−530	15.1	1.85	5,963	6.3
119. **PPG Industries**	375	−17.6	232	49.9	cf	cf	12.6	0.39	3,682	10.2
120. **Int'l. Paper**	375	−50.7	255	58.5	−543	−103	6.9	0.28	4,357	8.6
121. **American Cyanamid**	355	−9.8	166	25.9	97	115	10.3	0.39	3,535	10.1
122. **CBS**	355	84.7	187	24.8	165	−27	13.0	0.21	4,458	8.0
123. **Warner-Lambert**	355	9.9	200	14.6	63	23	14.1	0.49	3,108	11.4
124. **Deere[7]**	351	nm	23	−56.0	174	−475	1.0	0.85	3,968	8.8
125. **Kellogg**	347	1.6	243	6.5	65	102	24.8	0.04	2,381	14.6
126. **CPC International**	346	−9.7	136	−41.2	6	47	10.4	0.34	4,011	8.6
127. **Southern New Eng. Tel**	345	24.7	121	31.4	89	7	13.7	0.64	1,183	29.2
128. **Wang Laboratories[1]**	341	391.5	152	41.9	94	−107	16.7	0.45	1,538	22.2
129. **Marriott**	341	17.9	115	22.2	−129	−153	18.3	1.77	3,037	11.2
130. **Louisiana Land & Expl.**	334	−27.7	94	23.2	23	−43	14.8	0.80	1,220	27.4
131. **Leaseway Transportation**	330	21.3	37	41.0	−36	−96	12.8	1.14	1,267	26.1
132. **Texas Instruments**	330	−45.0	−145	nm	−172	223	nm	0.22	4,580	7.2
133. **Dayton-Hudson[2]**	324	38.1	243	22.6	−80	−115	15.8	0.40	6,963	4.7
134. **Rohm & Haas**	320	29.7	138	60.7	198	73	15.2	0.31	1,876	17.0
135. **Colt Industries**	316	93.8	99	20.2	216	59	21.3	0.35	1,576	20.1
136. **Freeport McMoran**	316	5.3	93	41.7	41	−224	12.7	0.40	786	40.2
137. **Holiday Inns**	315	54.2	124	28.0	−16	−64	12.0	0.51	1,585	19.9
138. **Centel**	314	6.6	113	4.7	−19	−35	15.4	1.16	1,272	24.7
139. **Dresser Industries**	304	−0.3	5	−97.0	96	−147	0.3	0.29	3,473	8.8
140. **Int'l. Minerals & Chem[1]**	302	22.3	80	−34.2	89	7	7.9	0.45	1,462	20.7
141. **Texas Eastern**	299	−64.8	155	−4.2	−315	17	10.9	0.96	5,393	5.5
142. **Baxter Travenol Labs**	298	−5.9	218	16.7	21	118	18.9	0.53	1,842	16.2
143. **Campbell Soup[5]**	297	−18.1	165	10.3	60	142	14.4	0.27	3,292	9.0
144. **Air Products & Chem[3]**	295	10.4	109	3.1	−61	−176	10.4	0.51	1,634	18.1
145. **Olin**	293	78.4	72	34.5	127	−16	8.4	0.50	1,935	15.2
146. **Penney (J.C.)[2]**	292	−48.6	467	8.6	−411	108	13.1	0.48	12,078	2.4
147. **Teledyne**	285	−37.9	305	16.8	180	293	11.5	0.22	2,979	9.6
148. **Hercules**	283	−3.0	174	100.6	35	63	13.8	0.32	2,629	10.8
149. **Grumman**	283	−12.0	111	22.6	116	237	23.4	0.15	2,220	12.7
150. **Avon Products**	281	41.0	164	−16.4	0	cf	13.6	0.32	3,000	9.4
151. **Gillette**	281	6.09	146	8.0	84	35	19.3	0.55	2,183	12.9
152. **Revlon**	280	29.8	111	0.1	95	−12	11.1	0.76	2,379	11.7
153. **Reynolds Metals**	278	85.9	−91	nm	−64	−84	nm	0.95	3,341	8.3
154. **IC Industries**	277	−3.4	95	39.3	12	−165	6.6	1.14	3,734	7.4
155. **Scott Paper**	276	−3.4	124	66.1	−120	−160	8.1	0.39	2,465	11.2
156. **May Stores[2]**	272	23.7	187	32.0	4	−11	16.1	0.50	4,229	6.4
157. **Harris[1]**	272	135.5	50	−33.4	125	−80	7.9	0.35	1,424	19.1
158. **Amax**	267	109.1	−489	nm	51	−369	nm	0.99	2,290	11.7
159. **Mitchell Energy & Dev.[2]**	266	5.6	73	−9.4	−15	−114	14.0	1.70	931	28.6
160. **Disney (Walt)[3]**	266	−6.9	93	−7.0	−109	−369	6.6	0.25	1,307	20.3
161. **Ashland Oil[3]**	261	−29.5	97	−46.6	−199	−202	5.6	0.51	7,852	3.3
162. **Squibb**	260	68.1	173	12.8	67	−1	14.1	0.21	1,769	14.7
163. **Ocean Drilling & Expl.**	258	−38.6	119	−37.8	−53	7	14.2	0.23	812	31.7
164. **Eaton**	257	−30.7	93	nm	131	216	9.3	0.45	2,674	9.6
165. **Crown Zellerbach**	256	49.5	88	nm	−70	−300	7.1	0.57	2,722	9.4

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	$Millions	%change vs. '82	$Millions	%change vs. '82	$Millions '83	$Millions '82	%	%	$Millions	%
166. **Owens-Illinois**	256	−5.9	69	74.1	−15	−35	5.1	0.45	3,422	7.5
167. **Northrop[9].**	256	−30.1	101	nm	−65	−71	17.5	0.02	3,261	7.8
168. **Macy (R.H.)[5]**	256	49.0	187	37.7	66	40	19.5	0.23	3,468	7.4
169. **Champion International**	255	10.2	82	107.2	−91	−100	4.1	0.58	4,264	6.0
170. **International Harvester[7]**	254	nm	−533	nm	176	−237	nm	6.54	3,601	7.1
171. **Wal-Mart Stores[2]**	254	106.0	196	58.1	−7	−66	26.7	0.52	4,667	5.4
172. **Colgate-Palmolive**	251	−41.6	198	0.5	−54	166	14.8	0.30	4,865	5.1
173. **Gould**	249	417.0	79	−12.5	26	−157	8.9	0.36	1,325	18.8
174. **Schering-Plough**	247	−12.7	178	−2.7	−23	7	13.9	0.60	1,808	13.6
175. **Whirlpool**	246	7.8	163	19.7	95	89	16.7	0.06	2,668	9.2
176. **Armco**	242	−44.2	−536	nm	33	−25	nm	0.82	4,165	5.8
177. **Melville**	241	31.5	176	24.0	78	4	21.3	0.18	3,923	6.1
178. **Union Camp**	238	9.8	133	7.0	−290	−153	11.1	0.58	1,688	14.1
179. **Searle (G.D.)**	238	120.8	119	−15.2	84	−55	16.3	0.42	946	25.1
180. **Donnelley (R.R.)**	237	31.8	114	25.5	cf	cf	16.2	0.06	1,546	15.4
181. **Gannett**	236	−9.6	192	6.2	11	−7	18.7	0.29	1,704	13.8
182. **Wickes[2]**	235	nm	9	nm	128	−486	nm	nm	2,875	8.2
183. **Intel**	235	427.0	116	286.4	90	−93	10.3	0.19	1,122	20.9
184. **Pittston**	234	72.3	−72	nm	181	−27	nm	0.32	1,230	19.0
185. **Baker International[3]**	233	8.2	−63	nm	37	−222	nm	0.56	1,838	12.7
186. **Amer. Hospital Supply**	233	−22.1	212	24.6	26	111	15.2	0.23	3,310	7.0
187. **Winn-Dixie Stores[1]**	231	14.6	113	9.6	3	−23	19.5	0.19	7,019	3.3
188. **Cooper Industries**	231	55.9	71	−47.3	52	−72	4.4	0.19	1,842	12.5
189. **Pitney-Bowes**	228	13.7	118	41.5	41	55	21.8	0.30	1,606	14.2
190. **Northwest Airlines**	228	64.8	50	897.7	−24	16	6.0	0.12	2,196	10.4
191. **Delta Air Lines[1]**	227	42.9	−87	nm	−689	−401	nm	1.42	3,616	6.3
192. **Williams**	226	20.0	54	81.9	−111	−58	4.6	1.94	2,167	10.4
193. **Humana[6]**	226	11.3	161	26.3	−379	−197	25.3	1.67	1,765	12.8
194. **Mesa Petroleum**	225	−8.9	126	−3.1	−69	−133	22.9	2.07	388	57.9
195. **Cox Communications**	224	19.9	78	19.1	23	−78	15.6	0.38	615	36.5
196. **Western Union**	224	8.1	−59	nm	−151	−114	nm	1.08	1,045	21.4
197. **Owens-Corning Fiberglas**	224	11.5	80	168.6	68	50	10.4	0.33	2,753	8.1
198. **Farmers Group**	222	−0.4	138	7.5	120	118	15.0	0.00	790	28.2
199. **Ingersoll-Rand**	222	−37.0	−112	nm	117	156	nm	0.64	2,274	9.8
200. **Archer-Daniels-Midland[1]**	221	29.5	110	−29	cf	−9	7.6	0.44	4,292	5.2

Definitions:

Cash flow from operations was derived from the following formula: net income (not including extraordinary items) adjusted to remove expenses not requiring cash (depreciation and deferred taxes) and income not generating cash (unremitted earnings from unconsolidated subsidiaries) and also adjusted for changes from the prior year in current receivables, other current assets other than cash and cash equivalents, current accounts payable, income taxes payable and other current liabilities other than notes payable and debt due within one year.

Percentage change in cash flow from operations is current cash flow divided by the prior year cash flow.

Discretionary cash flow from operations is cash flow from operations minus capital expenditures, total dividends and debt due in one year as reported in prior year's statement.

Return on common equity is net income available for common shareholders divided by common equity—that is, common stock plus capital surplus and retained earnings.

Debt as a percentage of equity is the ratio of total debt to total equity. It is calculated by taking long-term debt plus the portion of long term debt due in one year plus notes payable and dividing the total by total shareholder equity (preferred stock plus common stock, capital surplus and retained earnings).

Abbreviations:

cf: combined figure (calculation cannot be done because the company did not report individual items). *nm:* not meaningful (equation contains one or more negative numbers). *nr:* not reported (item required to do calculation was not reported).

Footnotes:

1. Fiscal year ended June 30, 1983. 2. Fiscal year ended January 31, 1984. 3. Fiscal year ended September 30, 1983. 4. Fiscal year ended February 29, 1983. 5. Fiscal year ended July 31, 1983. 6. Fiscal year ended August 31, 1983. 7. Fiscal year ended October 31, 1983. 8. Predivestiture. 9. Data drawn from annual report. 10. Dividends on preferred stock are greater than net income.

Source:

The study is drawn from the Standard & Poor's Compustat data base of 6,400 companies from which were eliminated financial companies (savings and loans, banks, insurance companies, securities firms and finance companies); companies with more than 50% of profits from finance subsidiaries of domestic companies and regulated utilities.

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(5/31/84) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$18.18/share	$ 9,459	$ 9,811
per cent change		−5.0%	−1.9%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE		$ 9,388	$ 8,279
ACCUMULATED INCOME	$ 86.31	$ 106	$ 1,127
TOTAL		$ 9,494	$ 9,406
per cent change		−5.0%	−6.0%
Money Market Fund	9.52%	$10,081	$10,914
per cent change		+ .8%	+9.1%
Gold (Krugerrands)	$411.00/oz.	$10,319	$ 9,362
per cent change		+3.2%	−6.2%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$84,200	$80,000	$79,000
per cent change		+5.0%	+6.1%
New House	$94,600	$92,400	$92,100
per cent change		+2.3%	+2.6%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

maturity. Right now, with interest rates on long-term government temptingly high, the argument for buying zeros is compelling. Even high-tax-bracket executives who ordinarily avoid taxable bonds ought to consider them for gifts to minors, Individual Retirement Accounts or Keoghs.

The Treasury zeros are an artificial product created by Wall Street in mid-1982. Since then, reports Salomon Brothers managing director Adrian Massie Jr., bonds worth some $8 billion at market value and $40 billion at face value have been sold. As much as 85% of these bonds have gone to institutions because most individuals have yet to catch on to the value of their extraordinary features.

To make a zero, brokers buy up huge lots of T-bonds, strip the future interest payments from them, package the interest into $1,000 units and sell them as bonds. For example, by buying $200 million of 25-year T-bonds with a 12% coupon, the brokers create $24 million of zeros each year (12% of $200 million) plus $200 million in the twenty-fifth year, when the bonds mature. The price an investor pays for the bonds varies with the maturity. Thus, at a 12% yield, he will pay $190 for a $1,000 face value bond maturing in 1998 but only $54.75 for a unit maturing in 2009. The packager deposits coupons representing the interest payments with a trust institution, which collects the money as it is due and remits it to investors.

Because the Internal Revenue Service says that taxes are payable each year on the increase in the value of the bond as it approaches redemption at full face value, they are most suitable for low-tax or no-tax accounts, such as trusts or gifts to minors. For these, it is hard to overstate the advantages, particularly with recent rates of nearly 14% on maturities of more than five years. At that level, the returns are commensurate with what equities yield, but with absolutely no risk if held to maturity.

Moreover, with zeros an investor knows precisely the amount of money he must invest today to produce a given amount on a specific date in the future. For example, in saving for a child's education, an executive estimates the annual cost and then buys zeros maturing in each of the four college years, putting them in the child's name to minimize the income taxes. For an IRA, an executive could buy a zero yearly, with each due to mature at the same date—when he's 65, for instance—and at that point he could reinvest the whole sum. Or he could buy zeros yearly to mature in consecutive years, paying out like an annuity at 65, 66, 67, and so on.

Unlike other bond owners, investors in zeros know that the interest is being reinvested for them at long-term rates. This has been an important advantage recently, when short rates have been almost four percentage points lower than long rates.

A $1,000 conventional bond paying 14% today will return $3,520 in principal and interest in eighteen years; in contrast, $1,001.58 invested in a zero will pay back $10,000 in the same period. The return on the conventional bond could be higher if the $2,520 in interest payments were reinvested at more than 14%, but many individuals are negligent about reinvesting. And even if they are conscientious, they can't be sure of getting 14% or more. With zeros, there are no coupons to clip, no small checks to spend on other things. "A zero is a done deal; you don't have to worry about investing the coupons," says tax partner Mark Rachleff of Coopers & Lybrand. And the bonds are easy to sell.

Retail brokers such as Thomson McKinnon offer the bonds at a spread over its cost, so there is no commission. At discount brokers, such as Charles Schwab & Co., the minimum commission is $30, but the discounter charges no set-up or custodial fees for IRAs, which more than offsets the commission. Merrill Lynch, Pierce, Fenner & Smith markets zeros in $1,000 pieces (at 12%, the $1,000 becomes $3,207 in ten years). It charges no commission, but custodial fees for IRAs start at $20. —A.H.

C -5A-

Shakeout In Software

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MANAGEMENT

The Spreading Wave Of Stock Buybacks

Low stock prices and cash hordes fuel buy-ins spree. But the benefits are mixed.

Don't they have anything better to do with their money?

For more than a year now, with machine-gun rapidity, one company after another has announced that it is going to buy back a big chunk of its own stock. The companies sport some of the biggest and best-known names in American industry: Coca-Cola, Time, K mart, Anheuser Busch, Exxon, Johnson&Johnson, Hilton Hotels, 3M, Weyerhaeuser, General Foods; they include big banks like Citicorp, U.S. Trust, Wells Fargo, Sun Banks; they even include lesser-known high-tech companies like Floating Point Systems, Prime Computer, NBI and Rolm.

Stock buy-ins, of course, are not a new phenomenon. Many companies have used them for years. In past market declines—in the summer of 1982, for one—there was a rash of repurchases. But the recent upsurge looks more like an epidemic. In the first six months of this year, Salomon Brothers calculates, 190 companies announced or completed buy-ins of 1 million shares or more. They spent $11 billion during that period and still had $8.6 billion more to go in uncompleted purchases. In contrast, last year's total was only $5 billion. Nearly fifty current programs are for more than $50 million worth of stock (*table, page 44*). And buy-ins of 5% or 10% of a company's outstanding shares are not uncommon.

What's behind the upsurge in buybacks? And are they good or bad?

Some are so-called greenmail, defensive maneuvers to ward off unwelcome corporate raiders. Such was the case in Texaco, Walt Disney and St. Regis. But these account for only a small fraction of the purchases.

The condition of the stock market is also an important factor. Buy-in programs took off last summer when the market receded from its all-time highs and many corporate managers decided that their stocks were undervalued and hence bargains. But since corporate executives usually feel that way, the question arises: Why now?

"They didn't always have the wherewithall to do anything about it," says Harvard Business School professor Paul Asquith. "Now, they do." The economic recovery produced a typical earnings rebound with an unusually large cash flow—an estimated $17 billion in additional cash from

faster depreciation alone last year. In addition, stricter inventory and receivable controls slashed working capital requirements, and companies in fast-growing industries, having sold stock or bonds when the market was hot, found themselves flush with cash.

Many Wall Streeters say that the popularity of buy-ins is a case of monkey see, monkey do. One notes that it's easy to sell repurchase programs by simply trotting out the names of others who are doing it. Then, he says, "They find the reasons." Finance professor James Walter of Wharton Business School agrees: "It's fashionable. Many companies have generated cash and not made plans for it, and at the same time the publicity of stock repurchases suggested that this was an attractive alternative."

In a probing study of repurchases by ten specialty chemical companies (out of sixteen publicly-traded companies), analyst Robert Hardiman of Merrill Lynch Capital Markets Group found a potpourri of motives, depending on the individual circumstances among the companies. He offers seven different reasons:

- For stock options.
- To stem falling stock prices.
- To mitigate effects of a cyclical decline in investment opportunities in the company's business.
- To reach management's return on equity goals.
- To get rid of excess cash in the face of slow sales growth combined with excess capacity.
- Possible plans to go private eventually; and
- Additional protection against an unfriendly takeover.

Companies that buy back their shares go about it in a number of ways. Some make a tender offer to all their shareholders for a specific number of shares usually at a premium over the market price. Others offer to buy holdings from their odd-lot shareowners at market price. Still others purchase privately shares from a single or limited number of stockholders (this is the method in greenmail). And there are those who buy shares on the open market in accordance with Securities and Exchange Commission buying limitation designed to avoid price manipulation.

Bookkeeping profits?

With so many diversely-situated companies using the same way to spend cash, the repurchase phenomenon has raised issues of corporate management and public policy. Critics ask:

- Are stockholders better off?
- Are managers using repurchases to reap quick bookkeeping profits?
- Why isn't the money being invested in business expansion?
- And are repurchases ratcheting up the already highly-leveraged state of American industry?

Many stockholders who care little about broad-ranging economic issues ask simply, "Is it good for the pocketbook?"

Conventional Wall Street wisdom says that stock repurchases don't pay off in higher prices, but academics have done studies that show otherwise. Theo Vermaelen, visiting professor at the University of Chicago, found that stock prices improved after repurchases, particularly if done through tender offers. He found that after adjusting for market fluctuations, stock prices gained 13% on average as a result of tender offers. (The average premium paid was 23% above market, and the average size of the purchase was 15% of the outstanding shares).

Tender offers pay off both for shareholders who sell and for those who don't. For example, this spring Rolm tendered for 3 million shares (11.5% of its outstanding shares) at $41 when its stock was trading at under 36 (for a 14% premium). Four months later, its price was above 39, despite an overall market decline. More dramatically, Teledyne offered $200 when its stock was trading at $155, and the stock subsequently rose above $230. "Both shareholders are winners," says Harvard's Asquith, "the ones who tendered and the ones who held on. I don't know who lost. I don't know what you can criticize."

The price advance appears to be contrary to efficient-market theory, since the intrinsic value of the company has not changed; it is merely smaller by the amount it returned to investors. But Vermaelen, a free-market exponent, argues that by making a tender offer, management informs its shareholders, with hard cash, that it believes its stock is undervalued, and the market translates this signal into higher stock prices. He also says that the earnings performance of companies is spectacularly better in the five years following a tender offer-repurchase than in the five preceding years.

Open market buy-ins, with no premium or time deadline for repurchase, also lead to higher prices, but much smaller gains. On average, the stocks go up 3½% on announcement day, Vermaelen reports, but then settle down to a 2% gain, adjusted for market fluctuations. In the open market repurchases he studied, the stocks had underperformed the market by 7% in the three months preceding repurchase; thus, the repurchases successfully halted their deteriorating performance but did not bring them back to the market norm. The market interprets the buy-in as a signal that management considers the stock underpriced. But management is obviously not in a hurry to buy the shares nor offering a premium indicating that it doesn't see the stock as seriously undervalued. Therefore, says Vermaelen, the price rise is weak. Vermaelen didn't study the earnings performance of these companies.

The Big Buy-Ins

Nearly fifty companies announced stock repurchase programs of at least $50 million during the first half. Total dollar value is determined by the price on the day of announcement multiplied by the number of shares involved.

	Shares (millions)	Dollars (millions)	% of Shares Outstanding
Exxon	46.3†	$1,900	5.9
Standard Oil	28.9	1,700	10.3
Texaco	25.6	1,280	9.9
Teledyne	5.0	1,000	25.0
Houston Natural Gas	8.0	555	20.0
Carter Hawley Hale	18.0	470	50.0
Tandy	10.0	355	9.6
Dart&Kraft	5.0	345	9.1
Minnesota Mining	4.3	339	3.7
Walt Disney	4.6	325	11.1
Coca-Cola	6.0	301	4.0
General Foods	5.3	275	10.0
Anheuser-Busch	4.8	267	10.0
Pacific Telesis	(1)	265	5.0
American Home Products	5.0	259	3.2
Penn Central	5.0	235	15.6
Santa Fe Southern	10.0	232	5.3
Avon Products	10.0	216	13.0
Rockwell International	(2)	200	(2)
Cadillac Fairview	15.0	189	18.0
American Medical Intl.	7.0	185	8.6
St. Regis	3.1	160	8.6
Levi Strauss	4.0	157	9.5
K mart	5.6	155	4.4
Atlantic Richfield	3.0*	135	1.0*
Weyerhaeuser	5.0	132	3.8
ROLM	3.0	123	11.5*
American Broadcasting	2.0	116	6.8
Rite Aid	6.0	115	14.2
Johnson & Johnson	3.0	114	1.5
Fluor	5.0	107	4.3
AT&T	6.1	100	0.1
Dresser Industries	4.0	90	5.1
Time	2.0	82	3.3
Amer. Hospital Supply	2.0	75	2.7
Dow Chemical	2.6	74	13.4
Castle & Cooke	3.4	71	11.8
Brown-Forman Distillers	3.1*	70	12.0*
Marriott	1.0	63	3.8
GEICO	1.1	63	5.0*
Textron	2.0	58	5.4
Wells Fargo	1.5	56	6.2
Holiday Inns	1.2	56	3.0
VF	2.0	55	6.1
Celanese	.7	54	4.8
Burroughs	1.0	52	2.2
Fuqua	2.0	51	23.0
Hilton Hotels	1.0	51	3.7
Medtronic	1.5	51	9.2

Notes: (1) Tender to odd-lot holders. (2) Open market purchases up to $200 million. † Company announced it repurchased 49 million shares. **Source:** Securities Data Corp., except (*) from company.

A weak signal

Thus, Vermaelen supports Wall Street's low expectations of the effect of repurchases. Chief financial officer Terence A. Rixford of Floating Point Systems reports that before his company instituted its repurchase program, investment bankers told him to expect a blip in the stock upon announcement and then some fall-back. "I would say that as a result of the program we have seen an uplift in our stock price of maybe a dollar or so," he says, "but nothing significant." Floating Point's stock had plummeted twenty points to 14 and a fraction before the repurchase.

Since the overwhelming number of programs are open market repurchases, (Teledyne, Tandy, Cadillac Fairview and Rolm were the only tender offers during the first half of the year), it is little wonder that Wall Street and academia differ about the impact of repurchases. A 2% gain is significant academically, but it doesn't leave much in investors' pockets after commissions and taxes. When management repurchases shares for reasons other than a conviction that they are very cheap, Harvard's Asquith says, "then Wall Street is pretty much right. The impact is a wash."

Whatever the price gain, repurchases are certain to increase earnings per share. According to accounting rules, if the stock is bought for the corporate treasury there is a corresponding reduction in the number of shares outstanding used in computing earnings per share. If the number of shares falls and net income is held constant, then each shareholder gets a bigger part of the income.

While repurchases typically make only a small contribution to earnings in terms of cents per share, that contribution to incremental growth can be substantial for slow-growth companies. Ralston Purina boosted its earnings 6 cents a share when it repurchased 5 million shares in the six months ended March 31, but that 6 cents accounted for 43% of its per share earnings gain for the quarter, according to security analyst Thornton O'glove of the *Quality of Earnings Report.* If all of Exxon's estimated gain of 26 cents a share from repurchasing 49 million shares falls into 1984, it could account for half of its expected earnings per share rise. And no matter how the 26 cents is distributed, "it's contribution will be dramatic," says analyst Barry Good of Morgan, Stanley & Co.

But the impact on the financial results is merely a bookkeeping ploy that should not fool analysts or investors in the long run. "The market should look through the pure accounting manipulation," says Vermaelen, "You cannot just create wealth by shoveling around pieces of paper." Even though earnings per share rise, net income doesn't climb as much.

Is there a better use?

Because most repurchases don't increase financial results dramatically, the controversy over the practice focuses mainly on management's judgment in using the cash for this purpose and not another. Supporters argue that repurchases are preferable to holding cash and they take as a given the belief that management has weighed every possible use for the money and decided that there is no better buy currently than the company stock. Many security analysts, when queried about individual repurchase programs, agree.

But some Wall Streeters are frankly skeptical and they wonder why the company can't find better uses for these resources. They say that the buy-ins are a symptom of management's lack of imagination or courage to invest in their businesses. And they charge that management's unspoken motives are an effort to get a quick earnings-per-share shot in the arm, a hope and a prayer that their stock will rise, and a hope of warding off a takeover. "It's gutless," says market analyst Steven Leuthold of the Leuthold Group. "They ought to be investing in the company, building a brand-new automated plant or making some long-term commitments that may look dumb short-term but are the right thing to do in the long-term. What in hell's the sense of giving them all the tax advantages if they are not using them for the purposes for which they were legislated?"

It is merely a bookkeeping ploy that should not fool investors in the long run.

Such criticism may be valid in some cases, but the variability of company circumstances makes it tough to generalize. Capital spending is robust and capacity appears to be adequate, notes James Balog of Drexel Burnham Lambert. "In the short-run, the ability to absorb new capital just isn't there. No amount of tax advantage is going to cause investment when it doesn't make sense." Using excess cash to diversify isn't always the answer, either. Many analysts note, for example, the failures of companies like Exxon that tried to expand into areas outside of their traditional businesses. "You might argue the return of that money to investors may be all to the good," argues Wharton's Heller. Furthermore, efficient-market theorists argue that returning capital to stockholders who then reinvest it redistributes the money to those firms that are willing and able to use it.

More worrisome are buybacks that appear to be harbingers of slowing growth. In his study of buybacks in the specialty chemicals industry, for example, Merrill Lynch's Hardiman found that many companies were experiencing slower sales growth, had cash-cow operations but a shortage of investment opportunities and feared to make acquisitions because of unhappy past experiences. He found the trend toward buy-ins a troubling indicator. "The longer-term implication may indicate a cash build-up problem and a lack of high-return investment opportunities," he observes. "It follows that future earnings growth rates could slow down, and a reduction of P/E multiples for some of these stocks may be warranted."

Although it is easy to say that companies are increasing their leverage—and thus their risk—by buying back stock because they automatically reduce the ratio of equity to debt, companies making repurchases, by and large, are not financially weak. They are generally mature, blue chip companies or banks that have good earnings performance and good capital bases. Even the young high-tech companies on the list have remarkably little debt.

Some analysts consider repurchases a partial liquidation of the company, based on a realistic assessment by management of its available options. "It's fair," says New York University accounting professor Lee Seidler. "It's telling the shareholders we have more money than we know how to invest in the company. Why should we be a mutual fund for you?" And as one analyst observes, it is certainly preferable to putting the money into a fancy new headquarters that earn no return.

Thus, the record suggests that there is no clear plus or minus about stock repurchases and the controversy will not be easily settled. But supporters and opponents agree on one point: the phenomenon is likely to continue. Wall Street sees no slowdown this year. Indeed, the utility industry is expected to join the parade because it is under pressure from regulators to pare its equity bases (as a way of holding down rates). New York's Consolidated Edison has already announced plans for a $250 million stock buyback in 1985. The investment bankers expect the trend to continue as long as the cash holds out. Unless, of course, the stock market takes off. Then, it is easy to predict that the wave of repurchases will recede even faster than it appeared.

—ARLENE HERSHMAN

Battle Over Business Judgment

Under the rule, courts have rarely challenged directors' decisions. But "greenmailer" buyouts could make it obsolete. Will Congress act?

To head off an unfriendly acquisition of their company by financial buccaneer Saul Steinberg in early June, the directors of Walt Disney Productions played their trump card. They bought back the 4.2 million Disney shares held by Steinberg's Reliance Holdings Inc. for an aggregate $325.3 million. That "greenmail" transaction gave Steinberg a net profit of some $32 million—and it also dropped Disney stock from $64 to $49 almost overnight. Irate shareholders promptly sued Disney and its directors, asking that the deal be cancelled.

There is little legal precedent to support such a suit. Historically, the courts have been extremely hesitant to challenge such decisions by a board. Under the "business judgment" rule, judges generally do not second-guess what directors have done as long as they appear to have acted in good faith.

Nevertheless, many lawyers and legislators argue that the tender offer craze has made the business judgment rule obsolete. It came into being a century or more ago, they say, as a means of keeping courts from interfering with the decisions of directors about the internal affairs of a corporation, where the board presumably had expertise and judges didn't. But critics insist that the rule should not apply to external affairs like takeovers, where the interests of directors and stockholders are often different, sometimes diametrically opposed. The dissidents call for either a tougher stand by the courts or for action by Congress to limit the discretion of directors in a battle for control of a company.

Tougher stand

Not surprisingly, most directors, and many lawyers, defend the status quo. The SEC's eighteen-member Advisory Committee on Tender Offers, for example, said last summer that "the business judgment rule should be the principal governor of decisions made by corporate management, including decisions that may alter the likelihood of a takeover." (The commission, however, did not agree with the views of the advisory group.)

Irving Shapiro, former chairman of E.I. du Pont de Nemours & Co., and now a lawyer in Wilmington, Delaware, staunchly defends the rule. So do Martin Lipton, the well-known takeover lawyer, and Ralph Ferrara, a former SEC general counsel. Ferrara admits that his views on business judgment have been considerably tempered since he entered private practice. "We don't need any tinkering with the process. Today, the outside directors are doing a superb job, and the courts are dealing effectively with any aberrations," he maintains.

Still, greenmail has been spreading like wildfire as more and more corporate raiders learn to play the game. Such high-powered market operators as Steinberg, Rupert Murdoch, Victor Posner and Carl Icahn, among others, have pocketed millions by being bought off. The practice dismays shareholders of many target companies, who feel that directors are simply paying ransom for the privilege of keeping their jobs and perquisites. The directors counter that they are acting in the company's best interests when they buy off a predator who, they argue, would do the shareholders no good in the long run.

This is an area where generalizations are uncommonly tricky. Observes former SEC general counsel Harvey Pitt: "There have been several recent cases where managements were flagrantly interested in entrenching themselves; there have been others where managements have made a bona fide judgment that selling out to a particular person was not in the best interest of stockholders." Every case, Pitt says, must be judged on its own merits.

Nevertheless, there is a big Congressional drive to stamp out greenmail—or at least make it tougher to obtain. In the Senate, Michigan Democrat Donald Riegle and Pennsylvania

More Evidence of Economic Strength

Executives are optimistic about sales and profits, according to a D&B survey.

The current economic expansion remains on an upward course, according to recent surveys by The Dun & Bradstreet Corp. For example, D&B's May survey of business expectations across the country shows that managers remain very optimistic about near-term prospects *(chart).*

The overall optimism index remains at the very high level recorded in the first quarter of 1984. Companies plan to add inventory because they believe that recent sales gains will continue. Further, they expect profits to remain strong and only 50% expect their prices to increase in the next quarter. Thus, the current modest inflation should continue in the near term.

This strength in businessmen's outlook counters concerns that the expansion is running out of steam. While it is not unusual for executives to get caught up in the short-term results and ignore longer-term indicators, the results of this survey should not be discounted. Order books are strong (the survey shows that 81% of the respondents expect new orders to increase in the third quarter of 1984) and thus there is a good basis for the optimism expressed.

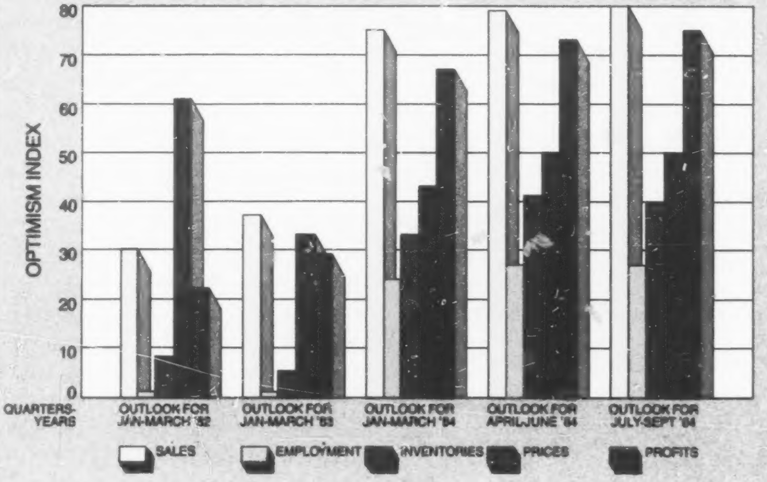
Additional evidence of economic strength is the D&B survey of building permit values in the nation's 200 largest cities. Recently released data show that the total value of building permits for 1984's first quarter is more than 27% over year-earlier levels. Since it takes several quarters before building permits translate into actual starts, these figures also show a basic strength in the current expansion.

Finally, D&B statistics on business failures are also upbeat. After reaching a plateau in the fourth quarter of 1983 and the first quarter of 1984, the D&B Business Failures Index in the second quarter shows a distinct decline. For the second quarter, the index is nearly 15% below the level of October 1983, showing that business failures are declining from the high levels that resulted from the last recession. Also, the liabilities involved in the reported failures are declining. At the beginning of 1984, 50% of failures had outstanding liabilities of over $100,000; at the end of June, only 48.5% of the failures had such liabilities.

On balance, all of these statistics from The Dun & Bradstreet Corp. describe a healthy economy with little evidence of excess. There is clear evidence that the expansion should continue at a steady pace in the months ahead. —JOSEPH W. DUNCAN

MEASURING BUSINESS OPTIMISM

Business optimism, which has been on a high plateau all year, continued strong in the latest Dun & Bradstreet survey of sentiment. In the May pulsetaking about the outlook for the third quarter, businessmen were more optimistic than they had been three months earlier that sales and profits would be higher, equally so about employment and prices and slightly less about the level of inventories.



Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.

good franchise, Kiehne says. Long-term, he thinks they will grow on average at the rate of the Gross National Product, which he expects to be 8% (3% real growth plus 5% inflation), and the better managed banks will grow slightly faster. It is possible to find many banks selling at deep discounts to book ("our average bank holding is probably selling at two-thirds book," he says), in good areas, with good dividends, but their returns on equity are well below the industry average because of temporary problems—a sign to Kiehne that they have the improvability he seeks. "If we buy these banks, we naturally hope that they get bought out," he says. He has had four or five buyouts already. Among his current holdings he likes Maryland National Bank, National City Corp. of Cleveland, Society Corp. also of Cleveland, Moore Financial Group, Boise, Idaho and Meridian Bancorp, Reading, Pennsylvania.

When Kiehne worked at ATT, he supervised the installation of its first solid-state computer, and his interest in the field persists even though computer companies with low P/Es are hard to find. His big play is computer software company Applied Data Research, one of only three high-tech stocks in the fund. ADR makes systems software, which he considers a great long-term growth industry. The company's earnings per share last year were $1.37, which Kiehne expects to rise to $1.75 this year and to $2.20-to-$2.30 in 1985. Based on his expectations of 30% annual increases in earnings and revenues for many years from Applied Data's new software products, Kiehne compares the company to Cullinet Software, the industry leader, which has a 35 P/E, and he hopes that Applied Data could rise to a P/E of 20 from its current multiple of twelve. "It's the value side of high tech," he says.

At current prices, Kiehne also likes many department stores, which he sees benefitting from favorable demographics. His choices in the group are Allied Stores, Associated Dry Goods and Federated Department Stores.

—A.H.

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(6/29/84) Recent Price or Yield	**Value of $10,000 if invested:** Month Earlier	**Year Earlier**
Common Stock (Index fund, capital gains and dividends reinvested)	$18.40/share	$10,220	**$ 9,514**
per cent change		+2.2%	**−4.9%**
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE		$ 9,920	**$ 8,247**
ACCUMULATED INCOME	$ 85.62	$ 113	**$ 1,131**
TOTAL		$10,033	**$ 9,378**
per cent change		+3.3%	**−6.0%**
Money Market Fund	9.92%	$10,081	**$10,931**
per cent change		+ .8%	**+9.3%**
Gold (Krugerrands)	$436.50/oz.	$10,476	**$11,064**
per cent change		+4.7%	**+10.6%**
HOUSE PRICES	Recent	Month Earlier	**Year Earlier**
Existing House	$81,700	$84,400	**$77,900**
per cent change		−3.2%	**+4.8%**
New House	$90,600	$93,900	**$93,000**
per cent change		−3.5%	**−2.5%**

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

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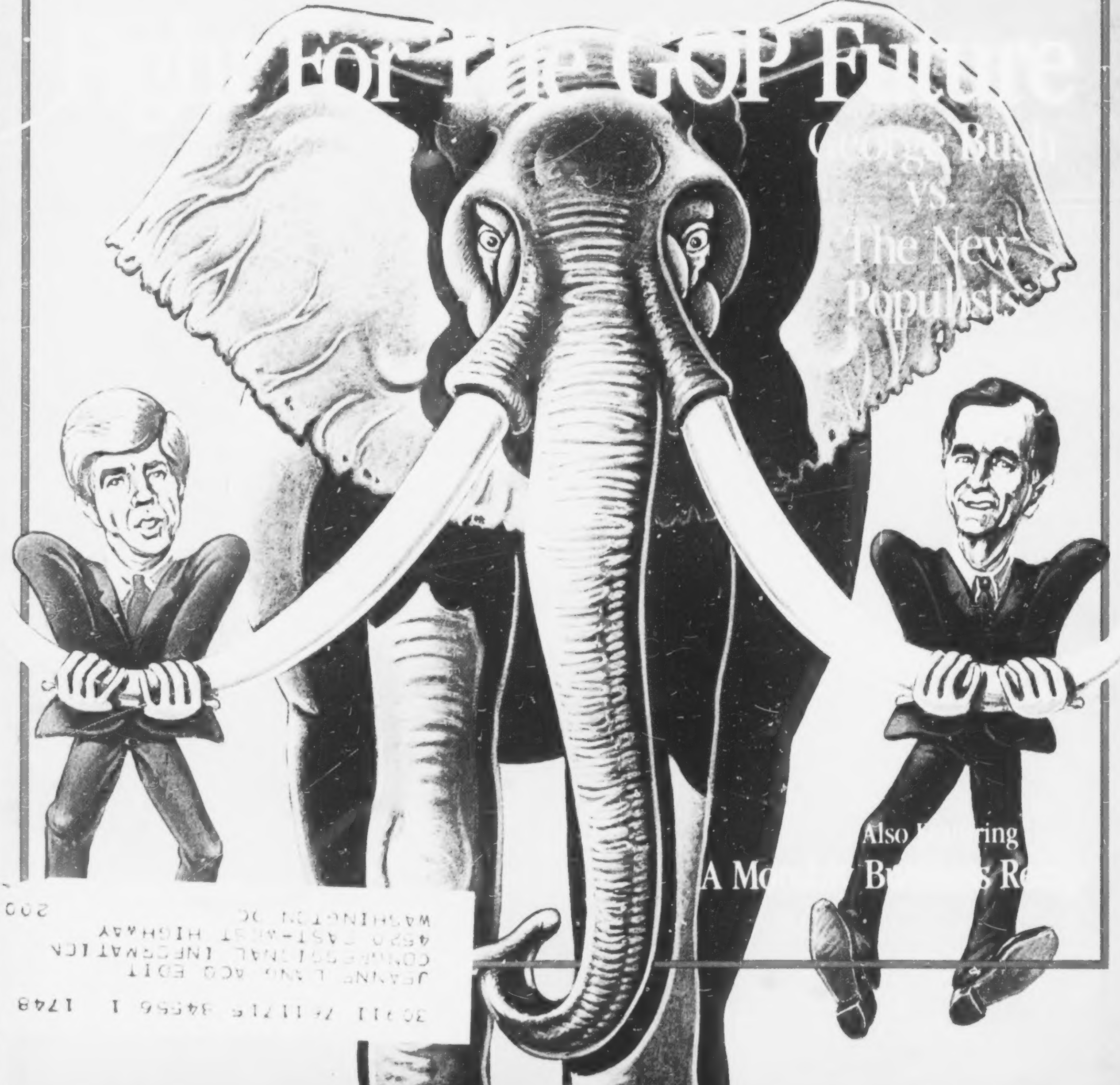

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George Bush vs. The New Populists

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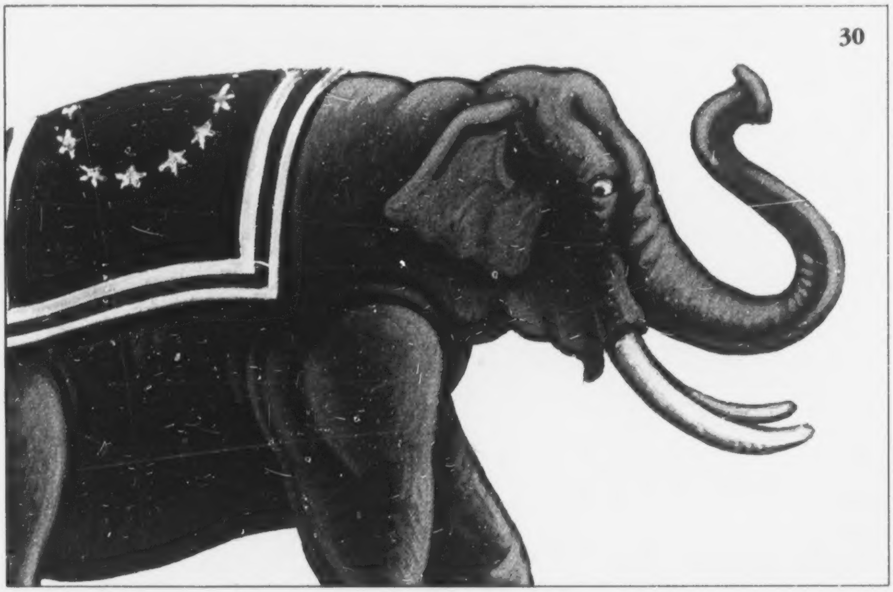

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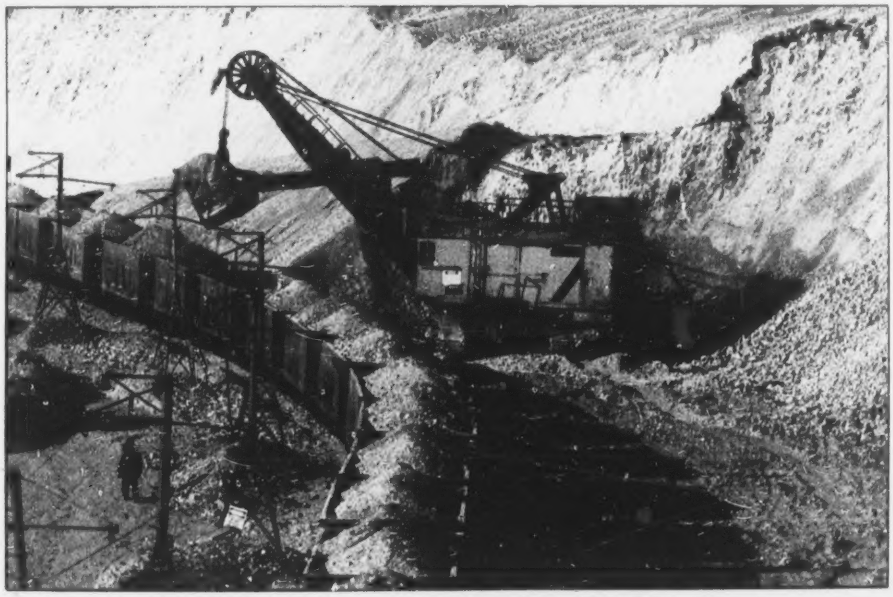

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Rosy Outlook For Sales

Now that the economic expansion is on a smooth upward flight path, it's easy to forget the bumpy takeoff. The outlook for sales is an excellent example of how the recovery is rising above its initial turbulence. Despite the fact that last year's gains were surprisingly spotty, the vast majority of firms in the DUN'S 5000 survey expects sales volume to increase this year.

In light of new information about actual sales experience in 1983, this across-the-board optimism is especially encouraging. The DUN'S 5000 survey reveals that nearly 25% of large firms (5,000 or more employees) had lower sales in 1983 than in 1982. More than 40% of small firms with 100 or fewer employees told the same unhappy tale. Only 9% of the big companies had sales gains of more than 25% and about 31% had moderate increases of 10%-to-25% for the year.

The same unusually modest performance for the first year of a recovery was reported by middle-sized firms with 100-to-5,000 employees, with only 16.8% enjoying sales gains of over 25% and another 28% realizing moderate gains of 10%-to-25%.

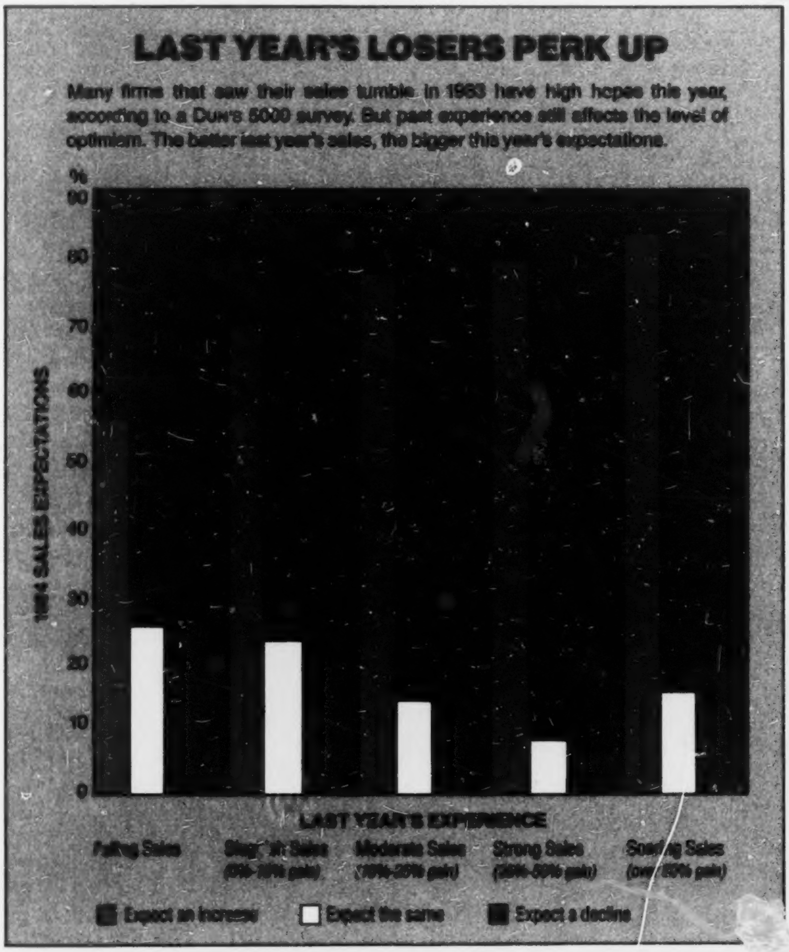
Among industries, the only exceptionally strong gains were in finance, insurance and real estate. About 15% of the companies in these sectors saw their sales volume soar by more than 50%. The weak spots, especially among larger firms, were largely in basic industries such as steel, primary metals and autos.

But now the picture has changed dramatically. Among companies of all sizes and sectors, less than 8% of the DUN'S survey sample expect 1984 sales to fall below last year's level. Even firms that suffered a drop in sales in 1983 are now upbeat, with only 12.1% of this group expecting a repeat of the dismal decline they experienced last year.

The fact that a large majority of companies is anticipating these substantial sales gains, in spite of the expansion's uneven and halting start, provides solid support for the view that real growth this year should be more than 7% above 1983 levels.

—JOSEPH W. DUNCAN

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.



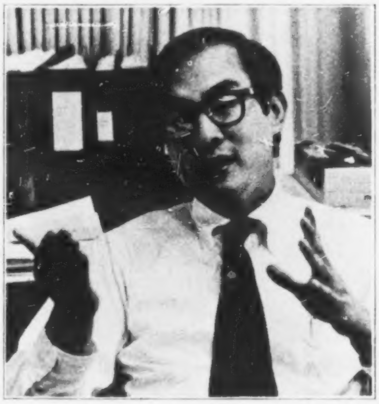
LAST YEAR'S LOSERS PERK UP

Many firms that saw their sales tumble in 1983 have high hopes this year, according to a DUN'S 5000 survey. But past experience still affects the level of optimism. The better last year's sales, the bigger this year's expectations.

HERSHMAN ON WALL STREET

More Gains Ahead for Bell Offshoots

Despite all the naysaying of skeptics last year, the pieces of American Telephone & Telegraph Co. are worth more today than they were before the divestiture, says utility analyst Ernest Lui of Goldman, Sachs & Co. While the market as measured by the S&P 400 (including dividends) was down 3%, the new AT&T and the seven regional phone companies have returned almost 14% in capital gains and dividends. And despite the runup their shares have already enjoyed, Lui believes that Ma Bell's offshoots are solid long-term investments, with potential returns in capital appreciation and dividends of around 15% annually.



Lui: The regionals are benefiting from regulatory generosity

In fact, the regionals' growth rate started picking up this year and should continue as long as we avoid a national recession, according to Lui. While it's not possible to compare the earnings performance of the seven regionals with their pre-divestiture records because of changes in accounting, he observes, earnings for the June quarter are up distinctly from the March quarter. And he expects the September quarter profits to be still stronger. "Earnings performance has surpassed the expectations of investors and analysts," he says.

This is partly due to the extremely hefty rate relief that the state utility commissions granted the regionals in 1983 and 1984. Moreover, the regulators have been highly sensitive to the competition the regionals face and their need to cut phone rates to keep business customers. The concern over losing the business of users that bypass the local network appears overblown at present, Lui says, although the threat could reemerge.

Behind Lui's confidence is the dynamic growth of telecommunications. "Unit volume expansion in this industry will be among the most impressive of any in the U.S. out into the next century," he maintains. Voice traffic should expand at an 8%-to-10% annual clip for the next fifteen years, and Lui forecasts that data traffic will rise 20%-to-25% a year over the next ten years. "We are confident that the regionals will be capitalizing on these rising unit demand prospects," he says.

Another source of future growth is more intensive use of existing phone facilities. "The managements are all pushing very hard to induce customers to make more calls per phone line and to introduce more information services such as burglar alarm monitoring," Lui notes. Consumers will also be users of video text, electronic banking and electronic mail, and the phone companies will collect a monthly fee or line charge as well as the phone charge for each call. But Lui thinks it will be five years before there is a reasonable base of users for these services.

As a stock group, Lui believes the similarities among the regionals are more striking than their differences right now. The stocks yield almost the same amount, with the lowest at 8.5% and the highest at 8.9%. Moreover, their stock prices all move together with changes in interest rates. Their performance correlates closely with long-term bond fluctuations, moving up when bond rates decline and vice versa. As a result, he says, "their near-term performance may be hampered by interest-rate increases."

"Over time, of course, the differences among the regional telephone companies will become more pronounced," Lui says, and this will be accompanied by a widening differential in future growth prospects and ultimately earnings and dividends. At recent prices, Lui's favorites in the group are Bell Atlantic for steady growth and acceptable current income; Pacific Telesis for improvement in rate of return; and BellSouth, which is trading at a depressed price because of pending rate cases, for a stock price rebound.

Lui believes that Bell Atlantic's compact territory—the corridor running from Washington, D.C. to northern New Jersey—with its highly dense population and big customers, should be the pioneer in creating data communications traffic. "The regulatory climate for Bell Atlantic is possibly the most constructive of all the regionals," he says.

Over the next several years, Lui expects Bell Atlantic's earnings to grow an average 7% a year and dividend increases to average 6% a year. For 1985, he sees a slower advance to $10.50 a share from this year's $10.05 and a dividend move up to $6.70 from 1984's $6.40. He believes the stock could rise 5%-to-7% in price, which, plus the stock yield of 8.8%, could produce a total return over the next year comparable to the market rising to

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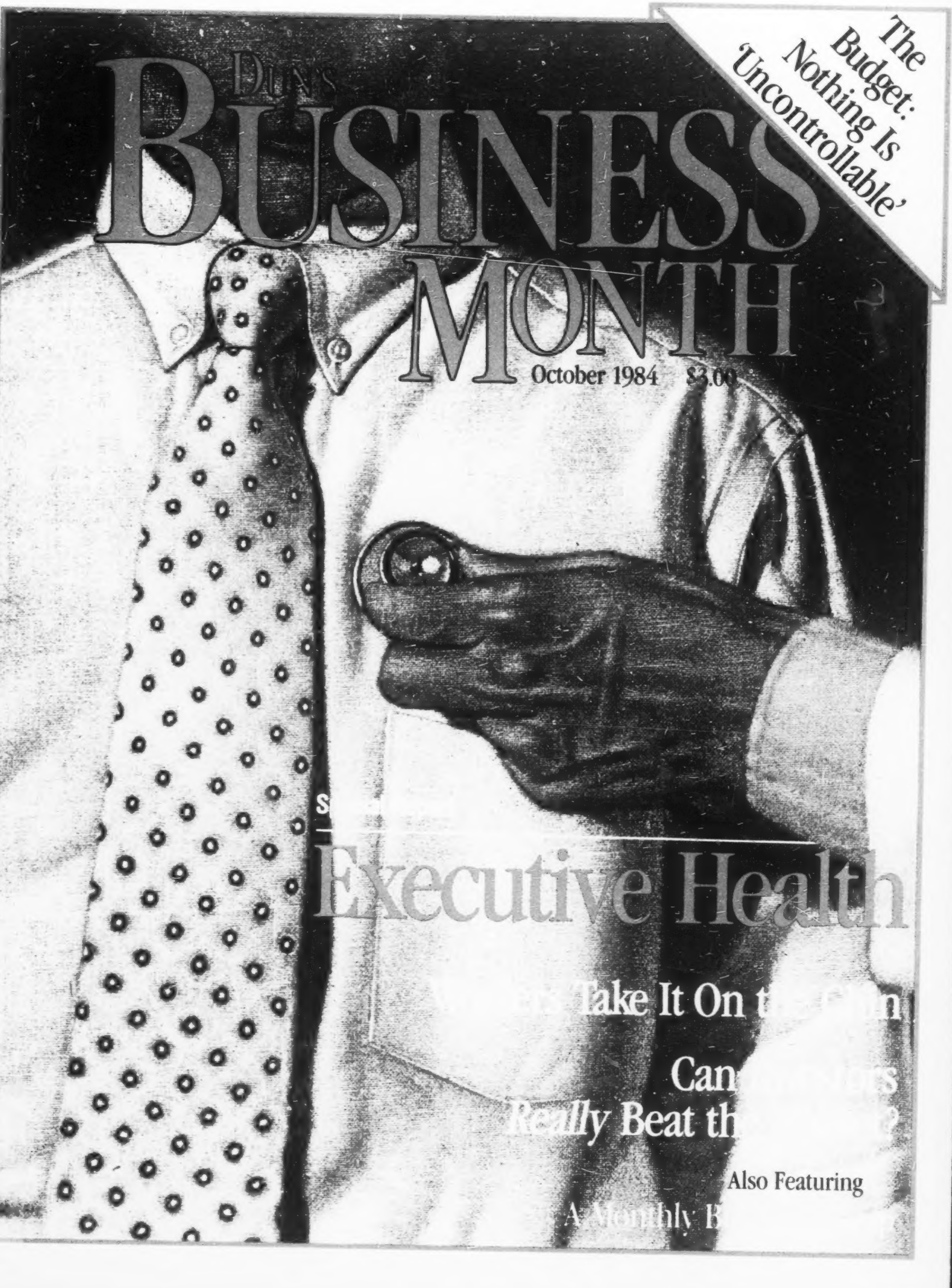
The Budget: 'Nothing Is Uncontrollable'



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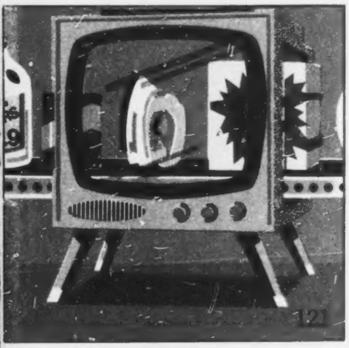

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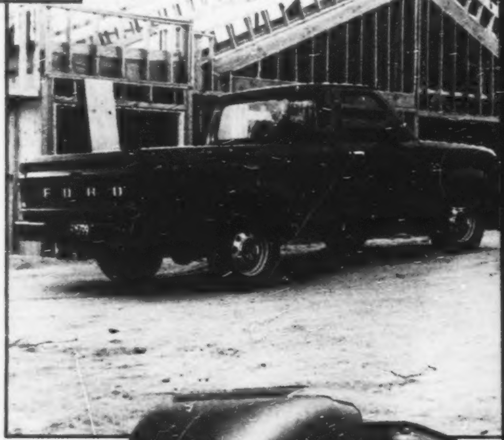


Car and Truck Sales Surge in Strong Economy, Stable Fuel Outlook; Front-Wheel Drive, Mid-Size Models Post Greatest Fleet Gains

In previous Fleet Management Focus Reports, we've chronicled the move—*rush* may be a better word—to downsizing, after the fuel crises of the '70s. Also, as the initial and operating costs of cars and trucks continued to rise, it became apparent that the role of the fleet administrator as cost controller and guardian of this major asset—the company fleet—increased dramatically in importance.

In fact, it's not unusual to find fleet administrators with financial backgrounds, and it's now standard procedure for a firm's top management to become directly involved in the key decisions affecting a fleet. For example, weighing driver satisfaction and company image against the cost savings of a smaller vehicle; deciding whether to have driver-owned, company owned, or leased vehicles; and balancing the benefits of longer fleet retention versus lower residual value.

Of course, top-level involvement is understandable when one considers that a 2,000-car fleet can, conservatively, represent a $16 million investment, at an annual operating cost in excess of $14 million. Indeed, at those prices—which aren't about to get lower—close control and supervision of fleet activities should be a top management mandate.

In this, the fourth annual Fleet Focus Report, we've again provided a summary of 1985 fleet offerings, as well as performance records and predictions by manufacturers.

For the record, the industry authority, *Ward's Automotive Report*, listed total domestic sales by U.S. manufacturers of 5,296,846 through August 20, versus 4,251,680 for 1983; an increase of better than 25%. On the truck side, the industry sees 1984 as the best year since 1978's all-time record of 4,055,926.

With 2,998,000 unit sales logged in the first nine months (ahead of 1983's *entire* production), they're not likely to be too far off the projected 1984 total of 3,900,000.

As for an overview of 1984, despite the stable gas situation and lower costs at the pumps, there has been no stampede back to full-sized cars at the fleet level, rumors notwithstanding. Granted, there *are* consumers out there who still feel comfortable with 4,000 or so pounds of steel surrounding them, and Detroit is doing its best to satisfy them. The reasons for fleet lack of interest: First, fleet managers aren't about to lose the hard-earned ground gained during the downsizing years. Secondly, there aren't that many full-sized cars being made. And finally, fleet drivers, after early grumbling, have gotten used to the more agile, smaller cars.

This is not to say that overly tight-fisted managers are keeping the troops in sub-compacts and compacts, when some arrangements were obviously not working out. Yes, there is a decided shift to larger—*not* full-size—cars.

According to Bob Berke, Executive Director of the National Association of Fleet Administrators (NAFA), "Our annual survey clearly shows a move up to mid-size from compacts. In the 1983 model year, 26% of fleet cars in our sample were mid-size, in 1984, it reached 35%, and for 1985, we see 54% of new car orders by fleets going to mid-size."

However, moving up to mid-size shouldn't be construed as a giant step, since cars in general have become smaller, and what NAFA categorized as "compact" in 1979—106" wheelbase—is today's mid-size car, with a 105"-108" wheelbase. In short, full-sized cars are the dinosaurs of the fleet industry; as to the few still out there, perhaps their owners haven't gotten the word.

Considering trends and subjects topmost with fleet managers, the increased use and proven value of computers and potential effects of the Deficit Reduction Act of 1984 are "hot," Adlore Chaudier, executive editor of *Runzheimer Reports on Transportation* notes. "Control is the key to efficient fleet management," says Chaudier, "and that's where we see the most obvious application for computers, whether in-house or supplied by leasing companies, who are all trying to get ahead of the competition by offering a wide range of services. At Runzheimer, we don't see any radical changes in the way fleets are operating, though we see a tendency to overcome size complaints by adding accessories to vehicles, such as cruise control, tilt wheel and AM/FM radio."

Among several new developments, Chaudier notes increased fleet interest in the new mini-vans (though supplies are limited or non-existent, due to strong consumer demand) and what he terms "cellophones." That is, mobile car phones that operate through cellular radio systems. These are presently expensive, so any fleet purchases are most likely to be restricted to executive vehicles. Cellular systems are now operating in select major markets, though coverage should expand significantly by yearend when prices may begin to recede as competition intensifies and sales and production increase. For now, most knights of the road will have to keep their eyes peeled for a pay phone to call in to say they're "running late" for the next appointment.

Chaudier cautions: "We would advise fleet managers to keep a close watch on alternate fuel developments. You never know what can happen in the Middle East to curtail supplies, so despite our stable fuel prices and supplies right now, it's a good idea to stay alert for any changes."

To summarize the year 1984, car and truck sales are booming; leasing retains its strength in both areas; downsizing has leveled off to the now-standard mid-size fleet car; the 1984 tax act is sure to create administrative problems; and the ubiquitous computer is going to spell "relief" for more and more harried fleet administrators.

In this management overview, we'll look at these areas in detail and step from theory to the real world of cost-effective fleet management, by including fleet car and truck case histories. (More definitive information is available in the publications listed in the "*Information, Please*" section on page 44.)

Passing in Review: The Class of '85.

The 1984 models and their dazzling high-tech innovations, falling fuel prices and a release of pent-up consumer demand, combined to ignite a retail sales explosion. Many of the world's auto manufacturers were hard pressed to satisfy consumer needs and, as a result, the numbers of some '84 passenger models allocated for fleet sales were reduced.

So what does the '85 model year hold in store for fleet managers? Well, for one thing, the high-tech trend in automotive design, engineering and production will definitely continue, although on a more "evolutionary," rather than "revolutionary" scale. For another, the explosion in consumer demand can also be expected to continue, while fleet demand should also remain strong in '85, due to replacements and additional vehicle needs created by escalating business activity.

The '85 models from most manufacturers will tend to be updated versions of existing '84 models. Few entirely new models will be introduced. Cosmetic changes, in the form of new interior appointments, instrumentation and body and trim treatments will be common.

By and large, the high-tech changes in the '85 models, equipment and options are fairly subtle.

Fleet vehicle operating costs will probably remain stable in '85, due largely to continuing improvements in vehicle fuel efficiency and mechanical reliability, as well as to projected stability in fuel prices. But it goes without saying that vehicle acquisition costs will continue to rise, especially in the case of the larger and better selling models.

Selecting the right model, equipment and options for each individual application will be critical to achieving true cost-effectiveness in '85 fleets. The key, of course, is to acquire only what is actually needed in terms of size, performance, fuel efficiency, passenger/cargo capacity, luxury and image—no more, no less. However, it should be pointed out that while vehicle downsizing in fleets has become almost the norm, a softening of that trend is definitely underway and the trend is definitely toward mid-size.

Whether to acquire '85 vehicles via company ownership, open-end lease, or closed-end lease, or employee reimbursement, will also be an important consideration, based on such variables as initial purchase price, current interest rates, projected resale value and corporate cash position. Another factor that will have a major impact on acquisi-

Chrysler started the mini-van revolution in '84; fleet allocations still tight for '85 tion decisions is that of the new Federal tax law which redraws the lines between personal and business use of a vehicle for expense deduction purposes (More on page 36.)

The following capsules cover the major manufacturers and some fleet-related viewpoints.

Chevrolet

Despite the boom in consumer sales that Chevrolet has enjoyed with its '84 models, Chevrolet won't waver in its commitment to the fleet market in '85. Lou Proctor, Manager-Field Operations for Chevy's Fleet Sales, explains why: "Fleet sales account for nearly 20% of our total passenger vehicles. Back in 1980, when things in the auto industry were tough, it was fleet orders for the Chevette that kept our plants open. So we're not about to forget all that fleets meant to us."

Leader of the pack: the 1985 Chevrolet mid-size Celebrity

According to Proctor, Chevrolet fleet sales are up more than 44% for the 1984 model year, with truck sales up by 35%. "We expect the upward trend to continue for fleets, based on orders already in", Proctor says. "Face it, we cover the broadest spectrum, from light trucks to compacts to police vehicles. We're getting back to where we used to be, in a strong position as industry value and price leaders."

In '84, Chevrolet's new front wheel drive intermediate, the Celebrity, became its best selling fleet model, with the Cavalier, a front wheel drive compact and the Monte Carlo, a full-sized coupe, running second and third. Chevrolet believes that it's on-going programs of technological advances and tight quality controls have contributed to the fleet popularity of these and other Chevy models. For 1985, a new fuel-injected, 2.8 liter, V-6 engine will be offered as an option on the Celebrity and Cavalier, although most fleet operators will probably stick with the 4-cylinder engine for its economy.

The only completely new Chevrolet model to be introduced in '85 will be the Astro mini-van, which Chevrolet feels will excite great fleet interest. These units will feature a true truck chassis and front engine/rear wheel drive, available in both cargo and passenger versions.

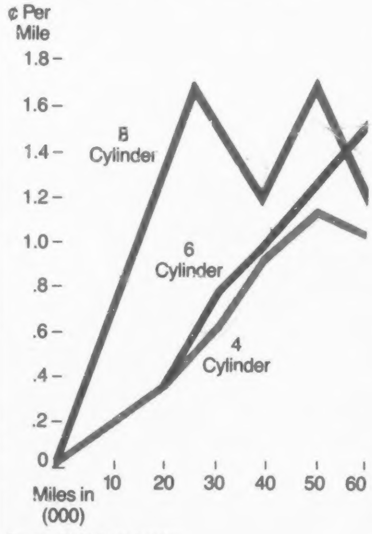
Buick

Buick, with fleet sales running 12.5% ahead of the '83 model year, projects increases on a five-year plan through 1989. As Jim Christiano, Director of Fleet Sales, observes, "I see a trend to companies upgrading to more expensive cars—not necessarily larger—and adding more equipment. They're simply realizing there are benefits to be derived when you give the person who works for you a substantial company car, both in terms of employee satisfaction and motivation. I think they'll be happier and work harder for you, so you actually gain far more than you spend. To paraphrase our ads, 'You can't be proud of your company, if you're not proud of your company car!'"

For 1985, Buick expects to continue drawing fleet operators to its Century (up 80% in '84) and Regal for mid-size applications, and to its Skyhawk and Skylark for compacts. For high-end executive use, Buick offers its Riviera, while the recently downsized Electra should also win favor.

4 Cylinders Cost-Effective

Comparative Maintenance Costs



Source: McCullagh Leasing

Buick's Christiano: Companies are moving up to costlier cars

Other than the downsizing of the Electra, Buick is offering no major changes on its '85s, concentrating instead on a wide range of refinements, such as new interiors, front and rear end treatments and such engine options as turbocharging.

Buick's new fleet entry: the 1985 Somerset Regal

The new model to be introduced by Buick in '85 will be the Somerset Regal, which is somewhat smaller than the intermediate Century and somewhat larger than the compact Skylark. Buick feels that the new Somerset Regal's trim exterior, combined with its large, luxurious interior and good fuel economy will win it strong fleet acceptance, especially in "reward car" applications.

Oldsmobile

Oldsmobile believes that one of the keys to its fleet success has been its glamour image which translates into strong "perk" value for drivers and resale value.

Oldsmobile's most successful fleet model has been its intermediate Cutlass Supreme, with its Cutlass Cierra, also an intermediate, running a close second. The Cierra is now Oldsmobile's fastest growing fleet model and it is seen as likely to surpass the Cutlass

Supreme in '85 fleet sales.

Brand new for '85 are the front wheel drive Calais Coupe and Calais Supreme Coupe, which both represent a new "world class" size of vehicle for Oldsmobile, fitting between the compact Firenza and the intermediate Cierra. Both are expected to have considerable fleet appeal. The compact Omega will be dropped for '85.

Cadillac

Cadillac has found that the steady increase in high-end and executive fleet applications, fueled by the expanding economy, has helped Cadillac fleet sales, up 15% in '84. Contributing to the growth in Cadillac fleet applications is the continued downsizing of Cadillac models, which has created an unpretentious, quiet luxury image, with which more fleet operators and drivers can feel comfortable.

New for '85 are the front wheel drive Sedan DeVille, Coupe DeVille and Fleetwood which, since their early introduction in the Spring of '84, have generated strong fleet interest. Other Cadillac models, the rear wheel drive Fleetwood, the Eldorado, Cimarron and Seville, will feature only cosmetic and option changes for '85.

Pontiac

Pontiac has been enjoying great fleet success—up 40% for the '84 model year—with its products now totalling about 7% of all models in fleet use. Leading the Pontiac models in fleet sales is the front wheel drive intermediate, the 6000, which is available in 2-door, 4-door and wagon versions.

The 6000 achieved a 155% increase in fleet applications in the '84 model year as R.E. Benson, Assistant General Sales Manager at Pontiac, explains:

Pontiac's Benson: Our resale value has bounced back strongly

"The 6000 fits the 'needs analysis' of a typical fleet manager best of all and will continue as our leader for '85. An important part of that analysis, incidentally, should be the questions: 'What kind of statement does the car make about the driver . . . about the company?' Of course, fleet managers are looking at cost of operation and the overall cost of ownership, including resale value. Our resale value has bounced back from a slight slump in the late 70's and I think that's reflected in our sales increases."

Strong mid-size contender: the 1985 Pontiac 6000

For '85, the 6000 will be given new cosmetic front and rear end changes. Following in fleet popularity is the front wheel drive compact Sunbird, followed by Firebird (primarily rentals), Bonneville, Grand Prix and full-size Parisienne.

New for '85 is the Grand AM, a front wheel drive specialty coupe which will fit between the intermediate 6000 and compact Sunbird.

The rear wheel drive intermediate Bonneville offers new interior and exterior colors for '85. The full-sized Parisienne sedan and wagon also receive new exterior treatment for '85. Rounding out the '85 Pontiac product lineup for fleets is the 1000, a subcompact.

Ford

Ford, like all manufacturers, is offering largely technological and cosmetic changes on its '85 models. On the Tempo, its front wheel drive compact that won widespread fleet acceptance in the year since it was introduced, Ford is installing fuel injection (as standard) and a new instrument panel. On its LTD, the intermediate that is another fleet favorite, Ford is making front and rear end cosmetic changes. The Thunderbird, the intermediate that has found success in many high-end executive applications, will be receiving both exterior cosmetic improvements, and an all new interior and an upgrading of passenger capacity to 5 seats. The full-sized Crown Victoria, which also enjoys considerable fleet popularity, will receive new gas-filled shock absorbers for '85. It will also have its production run extended in response to growing fleet demand.

The one new Ford model for '85 is the Aerostar, its entry in the mini-van category, with a choice of either 4-cylinder or V-6 engine.

According to Bob Blank, Ford's Fleet, Leasing and Rental Planning Manager, 1984 is going to end up a banner year in both cars and light trucks. "Based on model year fleet registrations through the end of May—the most reliable data there is—we have 19% of the fleet car market and 39% in light trucks. I see no reason why we can't maintain that strength for 1985, especially with the introduction in the second quarter of our new Aerostar mini-van."

Lincoln-Mercury

For '85, Lincoln-Mercury sees a greater number of fleet vehicles falling into the mid-size category. As John Rowley, major leasing and fleet accounts manager at Lincoln-Mercury notes, "The 1984 model year is running about a third over '83 for fleets, and we expect the trend to continue along with the business upswing."

In fleet sales leadership, it was a tight race between mid-size Marquis and compact Topaz, with the former holding a slight lead. The Marquis, in 4-door or wagon models, offers cosmetic exterior changes and improved performance for 1985 and, like the Topaz, has made certain options standard for improved fleet value and driver convenience.

The sporty 2-door Cougar intermediate is expected to continue its winning ways with fleets in 1985, as more managers come to recognize its strong driver appeal and high resale value.

Mercury's top compact: the aerodynamic 1985 Topaz

The full-size Lincoln Town Car made a strong showing among daily rental companies in 1984. These have, as Rowley notes, "revolutionized the business during the past few years by promoting luxury cars." In fact, the Town Car was Lincoln-Mercury's leader in non-retail sales and was also popular as a leased vehicle. However, for company fleets, it poses no threat to the mid-size trend.

Chrysler

In the 1984 model year, Chrysler helped launch the mini-van revolution when it introduced the Plymouth Voyager and Dodge Caravan, two models that elicited such an overwhelming consumer response that Chrysler had to stop taking fleet orders.

As Hal Barton, Chrysler's General Manager of Fleet Operations, explains: "The T-115 mini-vans were allocated to a number of fleets in 1984, and very well received, to the point that they're back to us for more. However, we see the wagon version in short supply for fleets through 1985, although the situation should improve in '86 when we have our new plant operating." Barton notes that fleet sales for '84 are up by nearly 20% in cars; 60% in trucks (including mini-vans). For 1985, based on extremely strong order entries through the end of August—car orders up 60%; trucks 300%—Barton expects to better last year's performance.

Barton says: "Last year we were playing catch-up, but this year, since we have all but one plant running second shifts, we'll have much more car availability. The "K" cars will continue to be our mainstay, though we see some switching up to the mid-size "H" bodies—LeBaron and Lancer. All in all, we're extremely confident."

The "K" cars—Plymouth Reliant and Dodge Aries—will receive a softer, more aerodynamic, "European" exterior treatment for '85.

The new "H" line of intermediate hatchbacks—Dodge Lancer and Chrysler LeBaron GTS—will be introduced in '85. These new models are expected to be of great interest to fleet operators because of their size (they're the only intermediate-sized 5-passenger hatchbacks on the market), 2.2 liter engine, available with electronic fuel injection or with turbo, and cargo capacity (40.7 cubic feet with the rear seats folded down). Of special interest to sales fleets is the fact that these new hatchbacks feature a hidden trunk area which offers 19.1 cubic feet of concealed storage.

The fleet-popular Chrysler "E" car will be dropped in '85, to be replaced by the Plymouth Caravelle, a model previously marketed only in Canada.

American Motors

True to optimistic 1983 predictions of record fleet sales in its sub-compact Alliance, American Motors experienced its fastest fleet start ever in 1984, devoting fully 45% of its initial production to fleets. That figure is expected to level out to about 20% by yearend, closer to the industry norm, but still ahead percentagewise. "Our total sales are up 29.6% over the '83 model year, and we're forecasting a 15.7% overall increase for 1985", says Bob Lalain, AMC's Director of Fleet Operations.

AMC's Lalain: We forecast a 15.7% gain for '85

The Alliance and its hatchback relative, the Encore, have had engineering changes for the 1985 model year and for 1986 "they'll just get face lifts", according to Lalain. Renault-designed, but made in America (Kenosha, Wisconsin), the Alliance and Encore, along with a new Alliance convertible, are expected to maintain strength among consumers and rental companies.

However, there's a rock-and-a-hard-place situation brewing on the fleet side. "It's no secret that the sub-compact segment is shrinking in company fleets, which puts us in the position of trying to increase our share of a diminishing market", explains Lalain. "The good news is that we have a brand new, larger car in the works for 1987 introduction, and we feel it will have a very strong impact among fleet managers as well as consumers."

AMC also plans to introduce two new Renault imports in 1987.

1985 Renault Alliance DL: subcompact fleet fuel miser

AMC's Cherokee (voted 4x4 Car of the Year by the major 4-wheel buff magazines) is beginning to make its presence known for selective fleet applications that require 4-wheel capability and traditional Jeep ruggedness. In fact, AMC's 4-wheel drive fleet sales doubled in 1984.

For 1985 and 1986, the prognosis is that the Alliance and Encore, with their attractive price tags ($6,000 area) and impressive fuel economy (38 mpg) should keep AMC's sales momentum going until fleet interest in the Alliance loses out to desire for cars larger than sub-compacts. By then, it'll be time for the new 1987 models.

Nissan

Because of the import restrictions on Japanese sedans and coupes and the strong consumer demand for those models, Nissan has had to restrict the number of subcompact Sentras, compact Stanzas, and intermediate Nissan 200SXs it could make available to fleets. However for '85, Nissan sees that gap in fleet sales being filled by its King Cab and Long Bed light pickup trucks, which aren't subject to import restrictions and are proving of use in light service and light delivery applications.

Nissan feels that its light truck quality, low downtime and new U.S. production facilities at Smyrna, Tennessee, will further contribute to a fleet sales growth in '85.

Toyota

Toyota, like other Japanese auto makers, has been hampered in its fleet sales efforts by import restrictions on Japanese passenger cars. Its subcompact Tercel and Corolla, its compact Camry and its specialty Supra have also had to be limited in fleet sales because of their consumer popularity. Toyota's fleet slack has been taken up by its mini-van (the first introduced in the U.S.) and by its light trucks.

For '85, Toyota sees growing fleet acceptance for light trucks and mini-

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( ) 1985 Fleet Cars – Selection Chart
( ) The Lease Piece – Fleet Newsletter
( ) Leasing Lexicon – Terminology Folder

Name ______
Title ______
Company ______
City/State/Zip ______
Phone ______
Number of Cars Leased ______

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vans, especially on the part of municipal fleets, due to their combination of "handling, fuel economy and reliability."

Volkswagen

Volkswagen, which has been manufacturing its popular Rabbit in Westmoreland, Pennsylvania, since 1978, gained momentum with its fleet program in 1984, when it moved some 8,000 units into rental companies and corporate fleets. The successful program was spurred by free option packages (air conditioning or power steering plus AM/FM radio) as well as a guaranteed residual value for fleet vehicles.

Says Jules Bauduc, Fleet Sales Operations Manager, "If you can get your monthly depreciation factor around 1%—the holding cost divided by months in service—you're really doing something. We were *under 3/4 of 1%* with the Rabbit, and when the accounts figured it out, it was costing them just $69–$75 per month to hold the equipment. That's really phenomenal! Those numbers, coupled with the guaranteed residual value and the fact that the Rabbit was American-made pushed us well over our fleet projections and though we were somewhat caught by surprise, deliveries were current by April '84."

For 1985, Volkswagen finds itself slightly out of synch so far as corporate fleets are concerned, due to a switch from the discontinued Rabbit, to the new Golf, scheduled for official U.S. debut next month. The 1985 Golf (from the German "golfstrom" or gulfstream) will bear more than a passing resemblance to the Rabbit, but will feature more passenger room and luggage space. Available in 2-or-4-door models with diesel or gas engines, the hatchback Golf is seen by VW as ideal for "high mileage delivery, courier or service fleets, as well as daily rental operations."

The first of the U.S. Golfs are now rolling off the line in Westmoreland and if the Rabbit's earlier fleet success is any indication, the 1985 Golf with residual value guarantee, while a late starter, should win substantial favor among rental companies and fleet administrators.

The preceding is a *sampling* of fleet vehicles available for 1985. For more information and complete specifications, equipment and fleet ordering incentives, refer to the various fleet guides offered on page TK, *Information, Please* section, as well as the Reader Service Card, page 41.—T.R.

Leasors Lean on Computers.

From all indications, the leasing market is expanding, but slowly, which means there's increased in-fighting and more aggressive selling among the leaders to increase shares and capture new clients. (Or, at least, get in as a "back-up", since few companies rely on a single leasing company.) Since there's little differentiation as far as types of leases offered, the leasing companies are honing their competitive edges by providing—at a price, of course—more and more ancillary services.

However, one service in particular seems to take precedence. What commands the highest respect among fleet managers these days, for good reason, are computers. They make their jobs easier, help improve overall fleet efficiency, monitor maintenance programs and can better the bottom line.

The leasing companies have been on to computers for some time, and the majors don't hesitate to "computerize" a prospect, under such snappy acronyms as Gelco Fleet & Management Service's "GelcoLink", McCullagh's "SAVE II" and Wheels, Inc's "F.A.S.T." (standing for Fleet Analysis and Cost Trends, naturally). But by any name, a computer—or more precisely, access to one, via a desktop terminal—is a

McCullagh's Cullota: Computers give our customers control

very valuable fleet management tool.

As Don Gorman, President of Leaseway Fleet Management Corp. puts it: "The whole objective is for fleet managers to go 'paperless' as much as possible and as quickly as possible. In our case, we become the fleet manager's computer, in effect, via his own PC. I think the timing is perfect, since we're seeing people with much better educations in fleet management jobs these days, who are comfortable with computers."

McCullagh Leasing, which has been refining and expanding its SAVE system since 1978, has made it compatible with some 25 PC's and more than 100 types of terminals.

According to Senior Vice President, J.A. Culotta, the SAVE II system features a virtual fail-safe setup, since it operates through one of two main computers at the firm's base in Roseville, Michigan. Normally, one computer is used for company data, the other for access by clients. If one should go down, the other takes over.

Says Culotta, "The computer terminal puts control in the hands of our customers, cuts time and paperwork and greatly aids the decision-making process; it takes out the guesswork. When we started developing this system back in '77, we didn't merely want to push out a whole lot of information that would sit on someone's desk, but to provide real cost efficiencies. Right now, we have a full-blown interactive system. The customer can work with it on-line to input changes and update his own records."

How Pfizer Does It

As might be expected, examples of the computer's fleet management prowess abound. Pfizer, Inc., for one, went from manual record keeping to its own in-house computer in 1980. This proved to be too costly until its main leasing company for the past 30 years, Wheels, Inc. offered a solution.

"It's actually part of a pilot project, being tested at a few locations," says Gordon West, Corporate Fleet Manager, "and uses an ITT dedicated line so we can have real-time information 12 hours a day. We've come to rely on this equipment to help manage our 2,400-car fleet, because it gets us away from paper pushing and back to the real job, which is *managing*. That is, thinking about the future, weighing costs and financing and working closely with top management."

Pfizer, whose fleet value West estimates at nearly $19 million, with a total annual operating budget of over $14 million, offers its sales executives a wide range of vehicle choices and options. "The computer helps us a great deal here", explains West, "since we offer 24 models and virtually any 'build' of equipment and interior the sales rep wants, including the extras he purchases. Our system gives us instant order status, all vehicle specs, sale information, current book value, months in service, division expense code—everything we need to make sound decisions."

West, in what may be an emerging pattern among fleet managers, came from a financial department within Pfizer. He noted that final decisions on the sizeable fleet investment are made at the very top, via the treasurer's office and Pfizer's Corprate Projects Committee. This is not an anomaly.

As McCullagh's Culotta points out, "There are more financial people involved today than ever before, since everyone is understandably sensitive to the cost of money and services. The days are long gone when you simply tied leases to the prime. Now, a leasing company has to offer creative financing, and when you're dealing with Fortune 1000 types, the money cost side of the lease is the real key. They expect the leasing company to go out and acquire competitive funding and provide efficient, cost-effective services."

Be that as it may, from sales reps in the field to top management, when pointed questions are asked, the fleet manager's tireless computer can deliver the answers, quickly and accurately. But in the final analysis, the buck *does* stop with a human, since, so far, computers haven't learned to sign purchase orders!

—J.F.C.

Selected 1985 Projected Ownership and Operating Costs

			Front Seat								Annual Costs For[4] 20,000 Miles		
Make[1]	Model	Doors	Head Room	Leg Room	Luggage Capacity	Weight	Overall Length	Drive Unit	Cyl	Displace	Operating	Ownership	Total
Chrys	Fifth Ave	4	39.3	42.5	15.6	3740	205.7	Rear	8	5.2	$1850	$3967	$5817
Ford	T-Bird	2	37.7	42.0	14.6	3090	197.6	Rear	6	3.8	$1590	$3576	$5166
Chev	Impala	4	39.2	42.2	20.9	3493	212.8	Rear	6	4.3	$1700	$3262	$4962
Dodge	Caravan	4	38.9	38.3	81.8x48.4	2700	175.9	Front	4	2.6	$1550	$3349	$4899
Olds	Cutlass SP	4	38.7	42.8	15.2	3256	200.4	Rear	6	3.8	$1540	$3247	$4787
Chev	Celebrity	4	38.6	42.1	16.2	2692	188.3	Front	6	2.5	$1530	$3092	$4622
Chev	Cavalier	4	38.5	42.2	13.6	2337	174.3	Front	4	2.0	$1190	$2658	$3848
Nissan	Sentra[2]	4	38.3	43.1	11.3	1855	167.3	Front	4	1.6	$1180	$2616	$3796
Ford	Escort L	4	38.1	41.5	16.5	2074	163.9	Front	4	1.6	$1220	$2570	$3790
Honda	Accord[3]	4	38.7	41.3	15.2	2271	175.4	Front	4	1.8	$1220	$2562	$3782

Footnotes:

1) Cars similarly equipped (except where noted) including automatic transmission, power steering, power disc brakes, A/C, tinted glass, AM radio, wheel covers, body side moldings and left-hand remote control mirror.
2) Does not include power disc brakes, power steering or left-hand remote control mirror.
3) Does not include A/C or AM radio.
4) Costs include operating expenses (gas @ $1.36 per gallon, oil, maintenance and tires), ownership expenses (insurance, depreciation, financing, taxes and license) and are based on a 3 yr/60,000 mile retention cycle.

Source: Runzheimer & Company

New Tax Law . . . Ouch!

Like any new tax law, the Deficit Reduction Act of 1984 is clouded by uncertainty. Who will be most affected? How closely will the regulations be monitored? How will the law be enforced? And, for some companies and individuals, how much can be gotten away with? There have been many opinions, but thus far no tests (the bill was signed into law on July 18, 1984), but the law *is* quite clear as it pertains to fleet cars and executive vehicles.

The IRS suspects, that much personal use of company cars aren't reported as income or, in the case of certain executive vehicles, are an out-and-out "perk". They may have something. A recent Runzheimer survey revealed that nearly 40% of companies failed to calculate the fringe benefit value of their executives' company cars. This can add up: more than $4,000 per year for a basic Buick Regal retained 60,000 miles.

The new law, in brief: If the executive vehicle is used 50% or more for business, the maximum Investment Tax Credit (ITC) is $1,000, and depreciation is set at a maximum $4,000 for the first year, and $6,000 per year thereafter. As with *any* company car, fleet or executive, "contemporaneous" records must be kept by the driver; a daily running log that includes time, mileage and other pertinent details. Yes, it sounds like madness, but that's the task facing drivers, not to mention the companies, who must certify the records are kept.

Should the records not be able to support the 50% business use rule, then *no* ITC can be claimed and depreciation is calculated on a straight-line basis, with the maximum spread over six years (10% year one; 20% per year thereafter). This pegs the maximum write-off at $16,000, meaning the company eats the difference between that and, say, a $35,000 BMW. (A Buick spokesman noted that this should help sales of its luxury cars, which fall under or close to the magic $16,000 mark.)

Echoing the thoughts of those in the industry, Walt Lovenduski, Vice President and General Manager of Hertz Car Leasing, describes the forthcoming administrative burden for fleet administrators as a "nightmare". Says Lovenduski, "To begin with, the tax payer—the company—must be certain its drivers are keeping contemporaneous records. Salespeople traditionally hate paperwork, so this new requirement is going to be doubly hard to enforce."

For a company that lives by the letter of the law, "nightmare" might be too mild a word. For, as Lovenduski explains, the driver must share all the costs, including fuel, maintenance, insurance, title, etc. as well as any value difference between book and sale price. Now the fleet managers must go back through each car's records from previous years to make an accurate determination. If, for example, the driver averaged 30% personal use, has paid in at that rate all along, and the company sells the car at less than book value, the driver has to help make up that difference. If, for example, the loss is $100, he's assessed $30. On the other hand if there's a $100 gain, he

WHEELS

Compact cars or full-size? Two doors or four? Four, six or eight cylinders? Gasoline or Diesel?

should be rebated a proportionate amount, which is treated as compensation. And that's *highly* oversimplifying.

How the IRS will choose to enforce the regulation is anyone's guess, though it's not too likely they'll be stopping company cars at toll booths with a curt, "*Your papers, please!*" But they could make a spot check of, let's say, 100 cars in a 5,000-car fleet and if the records in the fleet manager's office look like fiction the company could have big problems, with the entire deduction possibly being thrown back for 100% proof of compliance.

1985 Mercury Grand Marquis: under the $16,000 ceiling

Lovenduski suggests a possibility, not out of keeping with Hertz's specialty: "We've studied the new tax law very carefully and feel a closed-end, full-service lease offers a viable solution. With such a lease, you can simply walk away at the end, without concern for the car's residual value and do away with all the interim record keeping. It takes care of everything except fuel, for a predictable, fixed monthly amount. The leasing company takes on all risks of residual value and maintenance; the leasee avoids the administrative burden and can simply charge the employee back for personal use on a stipulated rate. "What's surprising to most, is that a closed-end, full-service lease of this nature can be quite competitive with vehicle ownership or an open end finance lease, especially under the new tax law."

That may be so, but the course to take depends on your own financial situation and any decision of whether to lease, buy or have driver-owned vehicles deserves the closest scrutiny by your legal and financial people.

As Bill Dodds, President of Detroit-based Fleet Leasing of America succinctly states: "For the legitimate company driver on business, the new law isn't going to have much effect; it's the executive cars the IRS is trying to close in on. But anyway you look at it, the new tax law is just a pain in the ass for everyone concerned!"

Whatever way a company decides to handle the administrative burden, it's up to your drivers to provide the data. As they say in the computer business, "garbage in, garbage out", and too strong an odor is bound to arouse IRS ire. Most assuredly, some companies will flout the law and "wait and see what happens", others have begun hiring personnel to handle the extra paperwork. But whatever course a fleet manager takes, "contemporaneous" is certain to become synonymous with headache, and there's no simple remedy in sight! —J.F.C.

(For a management brief on the new law, you may write to Touche Ross, Inc., Tax Department, at 1633 Broadway, New York, New York 10019, or call (212) 489-1600.)

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Trucks on The Rebound

Except for light trucks, the past few years were lean ones for truck manufacturers. Heavy trucks that require the most investment were hurt severely. With the economy—and freight—in a holding pattern, both common carriers and private fleets elected to retain and recondition aging equipment, even sidelining and/or cannibalizing to keep their fleets going.

But it was just a matter of time. With a more vibrant economy, increased freight volume and older equipment simply becoming *too* inefficient, demand for trucks rose across the board and in 1984 the industry rebounded. (Not up to the levels of the best year—1978—but certainly getting closer.)

GM's Ortlieb: We're in a period of concentrated fleet rebuilding

Says Brooks Ortlieb, Manager of Commercial and Municipal Fleet Sales for industry giant GMC, "We're in a period of concentrated fleet rebuilding right now and, frankly, we're finding carriers rushing out to take just about any vehicles they can get. In the first nine months of the model year, we were nearly at our full-year 1983 total. We projected 320,000 units by model yearend, which will make it the second best in our history. That'll be an overall increase of nearly 28%."

GMC's biggest gain—better than 95%—will be in the heavy truck segment where it, and all the other manufacturers, suffered most when the bottom started to fall out in 1980. (Specifically, Class 8 heavy trucks went from 165,000 units produced industry-wide in 1979 to a mere 70,000 in 1982.)

As with fleet cars, the ways of doing business for the truck makers have changed radically. "You don't see deals being made on the backs of napkins any more," says Ortlieb. "Today, with a single tractor costing upwards of $50,000, you have to work closely with the top executives and their financial managers, though certainly, recommendations and specifications will still come from people like equipment and maintenance managers."

The truck sales momentum carried to trailer body manufacturers, who also posted remarkable gains. Most notably, Fruehauf Corporation logged a record 63,000 orders by the end of 1983 and is having its best year ever in 1984. With approximately a third of the trailer market, it may reach over 70,000 units this year. As George F. Malley, Fruehauf's Executive Vice President notes, "We can point to the general economic conditions, of course, but there's also a strong demand for new equipment as a result of the Surface Transportation Act of 1982, and the growth of 'just-in-time' inventory management."

In the former case, allowable trailer length (48') and width (102") were increased, and tandem rigs allowed on designated highways. The "just-in-time" concept has led to new trailer designs for rapid loading and unloading—under 8 minutes for a 48' side door trailer, according to Malley.

Mack Trucks, in its 84th year, handily outperformed the industry by mid-year, posting a 160% gain. Comments John B. Curcio, President and CEO, "The increased competition and rate-cutting under deregulation is forcing carriers to operate more efficient equipment and find other ways to cut costs, such as better routing and backhaul planning."

Like all manufacturers, Mack is chipping away at its vehicles' operating costs through technical refinements. As Curcio notes, "With the exception of the mid-range diesel that we market and support with Renault, we build everything ourselves and have been able to achieve what we call a 'balanced design', adding improvements like chassis-mounted air cooling and 4-valve diesel heads." Engineeringese aside, Curcio claims such tinkering adds up to an impressive 4%-to-6% fuel efficiency improvement.

Without exception, all manufacturers are hard at work on a "truck of the future", which will be cleverly streamlined, light in weight (through use of composite materials), highly fuel-efficient and, at least partially, electronically controlled. (Yes, it'll still require a driver.)

For the present, such trucks exist only on paper or, in some cases, as prototypes. Curcio revealed some details of Mack's project: "We're well on the way with a high-tech truck, but we won't release it until it's 100% in all respects. I *can* say that it'll have an electronic fuel controller as the heart of a total system that can include electronic shifting capability. It'll also offer several plug-in options, such as a diagnostic unit. We think it's going to be revolutionary."

EMERY
WORLDWIDE

Emery's move to diesels delivered savings of $1 million

But until the revolution, there are other ways a fleet manager can help reduce operating costs. A recent example is Rockwell International's "Tripmaster", an electronic information system that tracks a wide range of data on truck use, driver performance and engine operation. The system can record, analyze and report operating data 24 hours a day. (And it never has to make a pit stop!)

Besides mechanical means, there are often-overlooked operational ways to reduce costs. As Terry Kennedy, Executive Vice President of Ryder Truck Rental, Inc. explains, "We find that many private fleet operators aren't aware of the cost-cutting opportunities that came as a result of regulation reform. For instance, the single largest cost is running an empty truck—all you're doing is rolling up expenses. But the so-called "Toto" ruling, applying to interstate operation, allows a private carrier to get approval to carry other people's freight on the backhaul, or when his equipment isn't being used.

"In the past, ICC restrictions forced empty runs. Secondly, you can also 'trip lease' your truck and driver to another carrier and the equipment can then be operated under his authority. Finally, 'single source' leasing is now allowed, where a company can lease truck *and* driver or, if they wish, enter a contract carriage agreement where a company like Ryder takes over the management functions as well. Of course, the shipper still controls the freight going out; the leasing company plans the backhauls and takes care of all the details."

Kennedy regards as one of his firm's most important services its ability, through 700 locations, to know where the freight is and match it with the empty trucks under its control. "We call it our 'Backhaul Support System' and think it's widened the market radius of many firms who simply couldn't afford running empties back from long distances. Now they can plug into our system and know their vehicles aren't going to come back empty."

As anyone with any experience in trucking knows, there are a maze of regulations to consider in any backhaul situation, so if a company isn't involved with a full-service leasing company that can handle all the planning, it's advisable to consult a transportation expert, to avoid uncomfortable confrontations with the ICC. But whatever it takes, a backhaul arrangement is a *must* for any fleet, because even the truck of the future—efficient as it may prove to be—won't be able to operate in the black without it. —J.F.C.

Cases in Point:

Planning Pays for Steelcase

It's a dream scenario, that most fleet operations can only hope to approach: Trucks that run 1,000,000 miles, thanks to a meticulous maintenance program; optimum fuel efficiency through carefully equipment selection and driver training; *and nearly a 100% back-haul rate*. Steelcase Corp., the nation's largest office furniture manufacturer, with sales in excess of $1 billion, has made all of it a reality, through long-range planning and personnel motivation at all levels of its physical distribution system.

"Our primary objective is to be a service arm of Steelcase", says William J. Kaat, Manager of Fleet Operations, "so the size and composition of our truck fleet is really determined by what we can bring *in* to our main plant in Grand Rapids and outlying facilities." What Steelcase handles on back-hauls includes anything that might go into the finished products, such as casters, steel, laminates and fabric. Naturally, there's no lack of shipments going out of the plants to customers, and under the present structure, the in-house fleet handles about 25% of the delivery volume to customers, with the balance going to outside carriers.

According to Kaat, the purchasing department keeps the fleet operations staff well informed of goods scheduled in from various vendors. A customer delivery can then be scheduled to the particular vendor's area, and various components returned to the plant on the back-haul.

It all takes a great deal of strategic planning and schedule-juggling, of course, but it's paid off to the point where Steelcase vehicles run full 97% of the time, as opposed to the industry average of 50%. Steelcase began converting to diesels in 1959, and its 100% diesel over-the-road fleet now comprises 50 Ford and Kenworth tractors and 150 trailers.

"We don't trade in our equipment every five years or so like other companies do", explains Kaat. "We've developed our maintenance capabilities to such a degree that we'll run out a truck then rebuild it completely and do whatever it takes to keep it running efficiently on long hauls for 700-to-800,000 miles. Then we'll 'demote' it to runs within a 100-mile radius for another 100-to-200,000 miles".

As might be expected on such a tightly-run ship, each piece of equipment has a continually updated, computerized "health record," including oil and gasoline consumption.

Although newer high-torque diesels are getting up to 7 mpg, the fleet average—including city medium-duty trucks and older vehicles close to phase-out—holds at a respectable 5.8 mpg. As Kaat notes, "We don't operate a pool system here; each driver or in some cases driver teams are assigned to a particular tractor. It's theirs and they take a lot of pride in treating it well and getting the most out of it. We send out driver trainers to teach them fuel-saving techniques and they all go after our Driver of the Month awards, which are popular and competitive."

Steelcase's trucks are equipped with nine or thirteen-speed shifts and cruise control. In another fuel-pinching move, all have been aerodynamically streamlined by the addition of overhead cab air deflectors and lower under-bumper air foils. Besides cost efficiency, continual driver training and high morale show in Steelcase's exemplary safety record—more than 2.5 million miles per chargeable accident in 1983; and all were minor. It has, in fact, the best safety record among all private truck fleets in the U.S.

Firmly at the controls of a fleet operation that apparently can do no wrong, Kaat has some concise advice to fellow fleet managers: "Make preventive maintenance and driver training your top priorities and you can't miss." —J.F.C.

Keeping Steelcase's Kenworths rolling: Bill Kaat, Manager, Fleet Operations, right, and Herman Karel, Fleet Garage Supervisor

Steelcase
Grand Rapids Michigan

Diesels Save Emery $1 Million

Emery Worldwide, a leading domestic and international air cargo carrier, is midway through a five-year purchase program for pick-up and delivery trucks. The move to own rather than lease equipment—as well as switching to diesel trucks—has saved the company an estimated $1 million to date.

Emery now contracts the maintenance for the trucks it buys, as opposed to its previous reliance on maintenance under full-service leases.

To help insure promised next-day delivery of any-size, any-weight shipments, Emery depends on its own fleet of 50 cargo aircraft and some 1,750 pick-up and delivery trucks. Approximately 20% of the fleet consists of GMC 3/4-ton panel vans (with the fleet's only gasoline engines); 40% "high-cube," 10,000 lb. GVW (gross vehicle weight) Iveco Z-100 and Ford E350 diesels; and 40% GMC W-7 and Mack MS200 medium diesels of 25,000 GVW.

Emery's decision to change its fleet's *modus operandi* to cut overhead came in 1982, when it purchased ten Iveco Z-100 diesels for testing in Los Angeles. The Iveco's averaged an impressive 16.8 mpg, versus Emery's conventional 8-cylinder gasoline trucks that averaged only 6 mpg.

According to Townley, the diesels caused a yearly fuel cost saving of more than $150,00 in Los Angeles alone, setting the stage for subsequent diesel truck purchases that now account for 80% of the fleet—the Iveco portion alone has expanded to 250 trucks, and there are plans to purchase more.

Emery's five-year plan to convert from full-service leasing to purchasing involves a truck selection process that takes into account individual requirements in various geographic areas. "Our requirements vary from city to city," Townley says, "but one constant is our need for a versatile truck to handle the wide range of shipment sizes and weights that we handle every day."

"About half our business is with regular customers, so we know what to expect. But for the other half—the occasional customer who needs to move something in a hurry—we often don't know what we'll be picking up, and it can range from a small envelope to a 2,000-pound engine. We selected trucks that can handle the entire range of our business and maneuver well in cities, where most of it is."

Emery Worldwide has been in the asset management business for just about three years, from the time it began building its own aircraft and truck fleet in earnest. "But we learned fast," says Townley, "and by keeping close watch on our cost per mile and training drivers to get maximum miles per gallon out their engines, we've been able to show some very dramatic savings."

Well on the way to a 100% diesel fleet, Townley nevertheless didn't neglect Emery's most cost-effective vehicles. "Bicycles," laughs Townley. "In an area like New York's Wall Street you can't beat them—or even foot messengers—for making envelope or small package pick-ups, what we call our 'paper business,' so our trucks can keep out of impossible traffic. Only now, Mayor Koch may be complicating things a bit with his new commercial bicycle licensing law." But Emery still has its foot messengers, go-anywhere, carry-anything attitude and dollar-saving diesel fleet for the long run. And should it ask, "How are we doing?," the answer would have to be, *Terrific!*" —J.F.C

Celanese Still Downsizing

Celanese's Agueta: Mid-size cars proving best in the resale market

Celanese Corp.'s 600-vehicle fleet, with management headed by George Argueta, is a good example of a medium-sized leased fleet that has undergone some dramatic changes.

Says Argueta, "Our fleet consists primarily of GM, Ford, and Chrysler products. Recently, we've been leaning towards Chrysler, front-wheel drive vehicles, particularly in the LeBaron series and the '82 and '83 E Series."

Cars used by sales and management personnel comprise 450-to-500 of the Celanese fleet, with light trucks accounting for the rest. "When we downsized," Argueta admits, "it put Ford into a very uncompetitive area. However, Ford is making a comeback this year, with their downsized LTD-Marquis."

In addition, Argueta feels that current mid-sized Buick and Oldsmobile models present a different image than that traditionally projected by the "company car," which was often a dour-looking vehicle with a minimum of options and amenities. Not only were such cars hard to sell to anyone who had to drive them, but their very austerity also made them hard to resell to the general public at disposal time. "It's no secret that these well-equipped GM mid-sized cars have proven best in the resale market," Argueta says. (At Celanese, disposal time usually arrives between 45,000 and 60,000 miles.)

The Celanese fleet is leased from PHH and GELCO, with almost all maintenance coordinated through Argueta's New York City office.

Argueta's theory of good fleet management centers on people rather than hardware, specifically: "The right attitude toward your people; you've got to run the fleet with the attitude that you're here to help the sales force. You're not here to fight with them. Or to be a negative factor. It's not always easy to approach things that way, but it's really extremely important."

The Celanese fleet manager has a practical five point criteria for vehicle selection to go along with his pragmatic management theory: "The first is cost. The Mercedes is a great car, but who wants to operate $30,000 fleet cars?

"Number two, is it a mechanically sound car that's inexpensive to operate? Third, does it have a reputation as being a good resale car? Sometimes this is a real crapshoot because if there's a new model there's no track record.

"Fourth, applicability. You can't buy less car than you need. For example, a salesperson delivering displays can't fit them in a compact. So you buy the car that's right for the job. Fifth, a certain amount of image is important. With higher level personnel, middle manager, engineers and so forth you want to give them something extra."

While public acceptance of front-wheel drive cars has been high, certain fleet managers are far less enthusiastic. According to Argueta, GM's X-body cars did much to sour his opinion of front-wheel drive. "The hope is that GM has ironed out a lot of the problems with front-wheel drive," says Argueta, and our current experience with the A-body cars is showing that they have. In general, they've been pretty economical to operate, so we have realized some savings in that respect."

One of the major problems with transmission replacements on front-wheel drive vehicles stems from the fact that the transmission is at the bottom of the engine, mounted so as to require the removal of most of the engine before the transmission is accessible.

"Labor costs are way up because of the time it takes to get the unit out," comments Argueta, "and the other increase in costs is related to availability of used transmissions. What mechanics are doing now is taking the unit out, and repairing it, rather than replacing it right away with a rebuilt. And that takes time. With a rear-wheel drive car when there was a transmission failure, you just pulled it out, and put in a rebuilt. You were back on the road in five hours at a very low cost."

Argueta, like many other fellow fleet managers is extremely concerned over the possibility of another major rise in fuel prices within the next five years. He says, "we're holding the line now, but the relative abundance of fuel has certainly affected the thinking of a lot of people. You'd be surprised how many people think we're going back to the days of the V-8 and the big automobile because the gas is there and the price has stabilized. But I'm certain that in time the price will go up."

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Celanese has continued its downsizing program. As Argueta explains, "Bigger cars just increase expenses. I've been fortunate that this department has been given free rein to choose the vehicles that are offered the sales force, and management has backed our decisions. But if we have a good year, I might have a fight to stay with smaller cars."

The struggle between U.S. and overseas carmakers has left both sides bruised and shaken, but recent rounds in the automotive fight have shown the American manufacturers surprisingly strong, especially in fleet sales, which the U.S. car builders have practically to themselves. Despite some marketing efforts aimed at fleets, overseas makers are still on the outside looking in.

"Crafted with pride in America is the policy here," comments Argueta. "Initially the overseas builders weren't very interested in the fleet market, and when they were, they sure weren't willing to negotiate a fleet price. In any event, it's so much easier dealing with American manufacturers, so why bother with imports?"—B.W.

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In 1983, Genstar Corporation's financial service operations reported record earnings for the fourth straight year, and its building materials and real estate development businesses benefited from increased residential construction in the U.S. Better market conditions, increased operating efficiency and a 23% reduction in debt produced net income of $103 million or $2.83 per share (Canadian), a significant improvement over 1982.

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Information, Please.

1985 Automotive/Truck Guide Books: Facts, figures and fleet recommendations, available from:

- Avis Car Leasing, PO Box 117, Carle Place, NY 11514.
- Gelco Fleet & Management Services, 3 Gelco Dr., Eden Prairie, MN 55344
- Hertz Car Leasing, 1633 Broadway, New York, NY 10019
- Peterson, Howell & Heather, PO Box 2174, Baltimore, MD 21203
- McCullagh Leasing, 30803 Little Mack Ave., Roseville, MI 48066
- Leaseway, 3700 Park East Dr., Cleveland, OH 44122
- Wheels, Inc., 6200 N. Western Ave., Chicago, IL 60659

Fleet Management
Fleet Management, a comprehensive work by John E. Dolce, covers all aspects of fleet management and cost control, with emphasis on trucks. 320 pp., $31.95, from McGraw-Hill, 1221 Avenue of the Americas, New York, New York 10020.

Runzheimer Reports from: Publications Division, 555 Skokie Blvd., Northbrook, IL 60062.

- *Runzheimer Reports on Transportation*—Monthly newsletter on car/fleet management ($195/yr.)
- *Runzheimer on Cars and Living Cost*—Informative and *free* quarterly newsletter on items of interest to managers.
- *Survey and Analysis of Business Car Policies and Costs*—Complete 1985/86 report; available early 1985; ($190).
- *Runzheimer Reports on Travel Management*—Invaluable in controlling rising travel costs; monthly newsletter, ($195/yr).

NAFA Fleet Manager's Manual
Everything one needs to know about running a corporate fleet, and more; includes sections on acquisition, expense control, maintenance and safety. $85 per copy, from: National Association of Fleet Administrators, 295 Madison Avenue, New York, NY 10017, (212) 689-3200.

Private Carrier Conference
1616 P St. N.W., Washington, D.C. 20036. Offers Wharton School's study on "Impact of Deregulation on Private Trucking." ($1.00/copy).

Credits: This Focus Report was prepared for Dun's Business Month by *The Advertorial Advantage*, a New York firm specializing in magazine supplements. Editor: John F. Carroll; Writers: Thomas A. Riley, Bill Wagstaff; Design: Kellner & Osburn, Incorporated.

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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(8/31/84) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$20.16/share	$11,120	$10,580
per cent change		+1.1%	+0.5%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE		$10,137	$ 9,514
ACCUMULATED INCOME	$ 92.94	$ 106	$ 1,202
TOTAL		$10,243	$10,716
per cent change		+2.4%	+7.1%
Money Market Fund	+10.58%	$10,089	$10,967
per cent change		+0.8%	+9.6%
Gold (Krugerrands)	$368.50/oz.	$10,329	$ 8,476
per cent change		+3.2%	-10.5%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$82,200	$82,800	$83,200
per cent change		-0.7%	-1.2%
New House	$92,900	$97,300	$94,000
per cent change		-4.7%	-1.2%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

$3.15 this year and to $3.60 in 1985. "I think the stock will remain in IBM's shadow," Crotty says, "but as IBM grows and its P/E increases, I think NCR's multiple could go to twelve."

IBM has also jumped ahead of its competitors in storage technology; it set a new industry standard for packing more and more data on the same single-density disc in 1982, which rivals Control Data, Storage Technology and the Memorex division of Burroughs failed to duplicate until the end of 1983. Crotty predicts that Big Blue will announce a double-density storage disc this year, which will affect the future of those companies. Control Data is a conglomerate with only one-third its income coming from peripherals. He expects its earnings, excluding an extraordinary gain, to come in at $3.77 a share this year, down from $4.20 a share in 1983; for next year, he is optimistically estimating $4.70. But Crotty says, "I am not recommending the stock for a variety of reasons."

Storage Technology's situation is even harder to forecast, he says. Because it has no mainframe business, it will be badly hurt by IBM's new disc-drive technology improvements. Crotty is projecting a loss of 25 cents a share for the company this year, but next year it could earn $1 or $1.10 a share if it starts manufacturing the new optical storage device it has in the works early next year. "It's a high-risk situation, not for the average investor," he says, "but certainly one to watch."

But 1986 and beyond, when local area networks and new smarter terminals will be introduced, will be even more significant for IBM and the industry. These are part of the substantial growth Crotty sees for IBM. Crotty thinks that next year the market could once again grant IBM a superior multiple on its earnings. When its 1986 forecasts come in at another 16% gain in earnings and a 17% gain in revenues, he says, "the multiple could be thirteen and the stock price could rise from today's 122 to 156." —A. H.